# AMERICA'S STAKE IN INTERNATIONAL INVESTMENTS

BY

CLEONA LEWIS

ASSISTED BY

KARL T. SCHLOTTERBECK

WASHINGTON, D.C.

THE BROOKINGS INSTITUTION

1938

Set up and printed
Published February 1938

*Printed in the United States of America*
George Banta Publishing Company
Menasha, Wisconsin

## DIRECTOR'S PREFACE

From *Germany's Capacity to Pay* in 1923 to *War Debts and World Prosperity* in 1932, the Institute of Economics has published fifteen studies dealing with international debt settlements, the international position of several European countries and of Japan, and other closely related topics in the field of international financial relations. In this volume Miss Lewis presents a more comprehensive study embracing not only much of this same field seen in cross-section but also a longitudinal view of our evolution from a weak debtor country during the early days of our national life to the strong financial position of today. She shows the complex character of lending and investment transactions by which American capital moves abroad while foreign capital in large amounts comes into the United States.

The development of these international financial relationships is presented realistically against the background of the economic processes out of which they emerged, and the complicated picture is brought into sharp focus in terms of our international balance sheet at eight significant dates from 1869 to 1936. With the facts of our international financial growth and present position thus reduced to manageable proportions, the author proceeds in the final chapter to consider the outlook for the future and to suggest the basic issues which will condition the success or failure of our national career in this field. While theories regarding the interrelations of international trade and capital movements have not been raised and discussed specifically, the book contains a great deal of case material that bears directly on this subject.

Careful examination of the results of this study should, we believe, prove of much value in guiding the decisions of individual business executives and financiers or in formulating the broader policies to be pursued by government agencies. The program of further work which we are developing provides for continuation studies during the next few years along the lines of several of the issues set forth in the concluding chapter of this volume.

Anyone familiar with the rough character of data available for studies in the field of international finance will realize that the figures used in this volume are approximations only. However, we believe that by much cross-checking of the information and estimates used, the errors involved have been reduced to relatively minor proportions, and that the results of our investigation furnish a substantially reliable picture of the changing international financial position of the United States over the period covered. The appendixes, which are devoted to the discussion and tabular presentation of data compiled for this study and to a critical consideration of earlier estimates, are intended for students interested in the details of the analysis.

The committee of the Institute which co-operated with Miss Lewis in the preparation of this volume included Harold G. Moulton and Leo Pasvolsky.

EDWIN G. NOURSE
*Director*

Institute of Economics
January 1938

## AUTHOR'S ACKNOWLEDGMENTS

Acknowledgments are gratefully made to specialists in various fields—including many men and women in government departments—who have assisted in various ways with the collection and analysis of the information presented, or have read and criticised portions of the manuscript. In particular we are greatly indebted to the Institute of International Finance for making available to us their data sheets showing the present status of individual foreign loans, including those in default. Special thanks are due to Dr. Amos E. Taylor and Dr. Paul D. Dickens of the Finance Division of the Department of Commerce for their reading of the manuscript and for helpful suggestions.

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# INTRODUCTION

The international migration of capital has played an important part in the economic history of the United States since colonial times. In the early days of the Republic it was the inflow of foreign funds that caught the attention of observers. During the World War and the years which followed, the outward flow was greatly in evidence. At all times, however, there have been counterflows, so that a balance sheet of the country's international position at any given time would show liability items, representing the indebtedness of Americans to foreigners, and asset items, representing American claims against foreigners.

For more than a century following the Declaration of Independence, foreign liabilities increased, while foreign assets remained negligible in comparison. Then, with the passing of the frontier and the rise of American industry, there was a noticeable expansion in capital exports. Statesmen and business leaders in the United States saw with great satisfaction the enormous strides made by American industry and finance in the closing decades of the nineteenth century and the early years of the twentieth. In their buoyant enthusiasm, they envisioned a time near at hand when the United States would become the workshop and the financial center of the world, not merely its granary. In prospect they saw the country with funds sufficient for paying off its foreign indebtedness, and established among the creditor nations of the world. The servicing of these foreign debts, and the outflow of foreign capital in periods of economic crises, had often presented difficulties for the

country. The role of creditor, therefore, seemed a highly desirable one.

Developments pointing toward this change in status were as disconcerting to Europe as they were gratifying to the United States. Watching the creation of the trusts, the increase in industrial production, the growth of foreign trade, and the steady accumulation of wealth in America, British and continental newspapers and periodicals warned against the "American peril" and the "American invasion." The movement of American engineers and American capital into Latin America, and the establishment in Europe and elsewhere of better means of outlet for the products of American industry, were disturbing. The wisdom and purpose of these developments were questioned. That the debtor country was finding it increasingly easy to meet its foreign obligations was a matter of less moment to the creditors than the contraction of a profitable market for some of their exports and the emergence of a powerful competitor in world trade and finance.

The decade and a half following the turn of the century was, in fact, a notable period—though short of meeting these exaggerated predictions. Investments were made in foreign mining, agriculture, and oil, as well as in manufacturing and trading enterprises abroad. For the first time American bankers floated some large foreign loans in the United States, though meanwhile new American loans were negotiated in Europe. Even if there had been no World War with its financial and industrial dislocations, the United States would eventually have fulfilled the destiny that had been enthusiastically predicted at the turn of the century—but the change from a debtor to a creditor nation would have come much later than it did.

As it was, the shift came swiftly, violently. In the summer of 1914 America was still a debtor nation. At the time the Armistice was signed, four and a half years later, American claims against foreigners were greatly in excess of the liabilities to foreigners. Following the War came an orgy of lending, and the simultaneous large-scale expansion in American control over foreign resources and foreign enterprises. In 1929, when this episode in the country's financial history was nearing an end, the total amount of investments abroad of all kinds, except the intergovernmental debts, was almost five times the pre-war total. Obligations to foreigners were only about one-fourth larger than in the summer of 1914.

With the onset of the depression late in 1929, the volume of new lending to foreigners dwindled to small proportions. Thereafter defaults began to occur. The stock-taking that followed showed clearly that there had been overlending and unwise lending. Finally the Johnson Act was passed barring future loans to all countries debtor to the United States government and in default on those loans. In the meantime, American holdings of foreign bonds were reduced by amortization payments and by foreign purchases, including purchases of defaulted issues at very low prices. Also, foreign phases of the depression brought about a sharp writing down in the value of some American-owned properties abroad.

The cessation of foreign lending in the United States was part of the changed world situation that developed with the European credit crisis of 1931. Other creditor countries also curtailed their loans to foreigners. The whole structure of international lending had broken down for the time being. In contrast with our position in pre-war years, Americans now found themselves aligned with the other creditor nations of the world. They

found, however, that their change in status had not sufficed to ward off the economic ills to which the country had been subject in the pre-war period and that the role of creditor was not an altogether easy one.

As the world recovers from the depression and the flow of international trade begins to run more smoothly, the question of future foreign lending emerges for discussion. The central purpose of our study of America's foreign liabilities and foreign assets is to furnish a background of information useful for understanding the present situation and also for meeting future issues. We have undertaken to show how the United States has been affected by the great international financial developments of the past century and a half; the ways in which foreign borrowing and foreign investing have been adjusted to the needs of the country's evolving and developing economic system; and the shifts in the country's status as an international debtor and creditor, relating these to the time and underlying economic conditions of their occurrence. Finally, we have undertaken to show what the creditor-debtor position of the United States is at the present time, and what issues must be faced in considering America's stake in future migrations of capital.

# PART I

# AMERICA'S FOREIGN LIABILITIES

## CHAPTER I

# A YOUNG NATION BORROWING ABROAD (1775-1845)

The American colonies were founded and developed by the aid of European capital; largely from Great Britain, but with funds from other countries also participating—particularly from Holland, France, and Spain. At an early date the sovereigns of the old world, who had acquired possessions in the North American continent, gave large tracts of land to certain of their wealthy subjects and to commercial groups. The latter undertook to finance the migration of colonists in the hope of a quick and rich return from such enterprises. The expectations of these "foreign investors" were for the most part doomed to disappointment. In so far as the thirteen colonies were concerned, losses were realized on many of the early ventures, and the Revolution eventually freed the colonists from all obligations both to the English crown and to the proprietary families.[1] But the close of the Revolution marked the beginning of a new flow of foreign funds into the United States, a flow that has continued down to the present, though sometimes interrupted by panics, crises, and wars.

### ESTABLISHING THE NATION

The new nation did not come into being free from all foreign obligations, despite the extinction of certain

[1] For example, the colonists were freed from their obligations to pay quit rents, which formerly had totalled about $100,000 a year. Tory estates were also confiscated, divided into smaller properties, and sold to colonists. The Tories calculated their losses at 40 million dollars, but the British Parliament scaled this figure to 15 millions which was granted as compensation to the claimants. J. Franklin Jameson, *The American Revolution Considered as a Social Movement* (1926), pp. 50-54.

claims formerly held by the mother country. During the Revolution and shortly after its close the government borrowed in France and also—though to a smaller extent—in Holland and Spain. During those years Louis XVI, then on the French throne, came to the help of the Americans again and again and also pledged the credit of his country in order that they might secure further funds from his neighbors. In all, these foreign borrowings amounted to about 6.5 million dollars by the time the Peace Treaty was signed,[2] and a bill for another three-quarters of a million was presented by one of Louis' distinguished subjects, Beaumarchais, for supplies furnished during the course of the Revolution.

In addition to these government obligations, there were individual debts owed by the colonists, particularly the southern planters, for supplies and loans furnished by British merchants and money lenders before the war. The validity of these claims was recognized by the Peace Treaty, a bitter dose to those who had hoped that the war would wipe the slate clean of all obligations to the mother country. Payment of these private debts was postponed until finally, by the Jay Treaty of 1794, the government of the United States assumed responsibility for them.[3]

The year 1795 saw the extinction of the old war debts of the government, although the last payment to France was not due until 1798. The revolutionary government of France, hard pressed for funds, had strongly urged the American government to anticipate the maturity of the debt, but had finally agreed to convert the amount still outstanding into dollar bonds maturing in 1807-15,

[2] For details of these loans and the debt to Beaumarchais, see App. A.

[3] The amount to be paid was not agreed upon until 1802, when it was put at $2,664,000. William M. Malloy, *Treaties, Conventions, International Acts, Protocols and Agreements* (1910), Vol. I, p. 590.

and bearing interest at a somewhat higher rate. By this means the old debt payable in the greatly depreciated currency of France was exchanged for a dollar debt, a form of paper highly acceptable to the creditors of the French Republic. In fact, as soon as legal provision had been made for the conversion of the debt, an American, James Swan, acquired the old French currency bonds in payment for supplies furnished or to be furnished to the French Marine. He, in turn, exchanged them for the new securities issued by the American government and on June 15, 1795 the arrangement was closed by which the foreign debt to France was transformed into a domestic one.[4] The one war-time obligation of the government still unsettled at this time was the Beaumarchais claim, which was allowed to drag along until 1835 when it was finally settled for about 17 per cent of the amount originally asked.

While old foreign debts were being paid, new ones were contracted. On January 1, 1790 the foreign debt of the government, including interest arrears, amounted to 12.1 million dollars, all of which was payable in foreign currencies. On January 1, 1803 the outstanding debt which the government had contracted to pay in foreign currencies amounted to 8.7 million dollars, all of which had been borrowed in Holland. The debt payable in dollars, including temporary loans, amounted to 68.3 million dollars. Because of the excellent credit standing the government was now beginning to enjoy, a considerable portion of the domestic debt had from time to time been bought up by foreigners. On June 1 of the same year the domestic debt amounted to a little more than 70 million dollars, of which 15.9 millions were held by English investors; 13.7 millions by the

[4] The Revolutionary War debt as a whole is discussed in App. A below.

Dutch; 2.5 millions by other foreigners; or a total of 32.1 millions in foreign hands.[5]

In November 1803 the purchase of Louisiana added another 11.25 million dollars to the foreign obligations of the government, interest on this debt being payable at 6 per cent in London, Amsterdam, and Paris.[6] In succeeding years, while Napoleon was engaging the attention of Europe, a period of prosperity enabled the United States to reduce the national debt, both domestic and foreign. Even in 1809—when the imposition of the embargo cut customs receipts to less than half what they were the year before—the treasury had funds available from earlier surpluses for continuing its policy of debt reduction. By January 1, 1812 the total debt, foreign and domestic, had been cut to \$45,154,189, of which the Louisiana "6 per cent stock" accounted for \$11,250,000. In January 1835 the entire national debt was paid off, and thus the government's debt to Europe—whether contracted through direct borrowing abroad or through foreign purchases of bonds floated in the American market—was entirely liquidated.

### EARLY DEVELOPMENT ON BORROWED FUNDS

The Revolution freed the foreign trade of the thirteen colonies from the legal monopoly of the mother country, but Britain's economic monopoly was resumed soon after

[5] Adam Seybert, *Statistical Annals* (1818), pp. 736, 750-51; Timothy Pitkin, *A Statistical View of the Commerce of the United States* (1817), p. 333.

[6] In the purchase of Louisiana the United States agreed to pay the government of France 15 million dollars. Of this amount 3.75 millions represented the assumption by the United States government of certain claims which American merchants held against the French government. The loan of 11.25 million dollars, floated in 1803, was offered for subscription in London, Amsterdam, and Paris. Pitkin, *Statistical View*, p. 333; Hyde Clarke, "Debts of Sovereign and Quasi-Sovereign States," *Journal of the Royal Statistical Society*, June 1878, p. 313.

the peace terms had been agreed upon and signed. Not only foreign trade but the coasting trade and, in Virginia and Maryland, for example, even the warehousing and retail trade had long been under the financial domination of the British. The explanation was simple.

With the supply of domestic capital in the new states far from adequate for the direct needs of its owners, little was available for lending purposes. Yet, if credit could be secured, goods from Europe and from sister states could be disposed of at considerable profit. American merchants, operating on slender margins, would have been unable to handle this trade had it not been for the credits—usually for a year or more—granted by English merchants and manufacturers.

It was estimated that commercial bills outstanding—either in the hands of the original creditors or discounted with English banks—amounted to about 28 million dollars at the outbreak of the American Revolution.[7] Ten years later England's monopoly of the trade of Virginia, according to Madison, was as complete as it had ever been in the past. With a similar situation existing in other states the amount of these short-term loans tended to increase with the increase in trade; falling off when trade declined during the War of 1812 and rising abruptly thereafter when British manufacturers consigned large quantities of their goods to be sold at auction by their agents on the Atlantic seaboard, taking long bills for their sales.[8] A decade or so later, when this

[7] G. S. Callender, "Early Transportation and Banking Enterprises," *Quarterly Journal of Economics* (November 1902), Vol. XVII, p. 137.

[8] Leland H. Jenks, *The Migration of British Capital to 1875* (1927), pp. 67-68; N. S. Buck, *The Development of the Organization of Anglo-American Trade, 1800-1850* (1925), pp. 121-50. English merchants invaded the New England market to such an extent in 1785 that the colonists agreed to boycott them. William B. Weeden, *Economic and Social History of New England, 1620-1789* (1890), Vol. II, p. 837.

method of dumping goods and the accompanying indiscriminate extensions of credit began to give way to a more orderly organization of foreign trade, credit, and exchange, British capital was still of increasing importance in the financing of American foreign trade.

During the middle or latter part of the 1820's, Yankee wholesale merchants came to occupy an important place in the American import trade. These merchants, as their resources expanded, established their own buying agencies in foreign markets where they could have a wider choice of goods and direct access to British financial houses.[9] Some of them—George Peabody, for example, who went to London as a merchant in 1835 and stayed to establish the banking house later known as J. S. Morgan and Company—found the business of funneling British capital into the American market a more profitable form of enterprise than transactions in merchandise. Thus were established at an early date some of the great Anglo-American banking houses. But whether directly or indirectly, the American import trade was largely financed by British firms. Some purchases in foreign markets—notably in India, China, and South America—were also made on credit extended by the British.

This dependence on British short-term capital also extended to the export trade of the United States, where the American seller—through the operation of the English bill market—received cash for the goods he sold abroad. As the system worked out, England was selling her own goods here on credit, was supplying American merchants with credit against which they could make purchases in all parts of the world, and in addition was

[9] Buck (*Anglo-American Trade*, pp. 153-57) dates this transition at about 1830. Jenks sets it at least five years earlier.

buying the greater part of America's exports for cash.[10]

Through the mechanism of the exchanges, a considerable volume of the bills payable for foreign goods and services was liquidated out of the proceeds of exports; a considerably smaller portion, out of foreign sales of American stocks and bonds. But the amount of these commercial loans outstanding continued to grow. In effect, American foreign trade was supplied with a revolving fund which more than kept pace with the needs of expanding trade. The practice of permitting finance bills to be drawn—drafts not backed by particular trade transactions and therefore not acompanied by invoices and bills of lading—was fairly general in relations between American and British houses.

Thus the supply of funds available for the development of the country's resources was supplemented not only by trade loans from London, which set American funds free to be used at home, but also by short-dated bills drawn for many purposes. As compared with the 28 million dollar estimate of the amount outstanding on the eve of the Revolution, the figure for 1836 was put at roughly 85 millions.[11] During the next few years, with a depression under way and confidence in America weakened, this debt was curtailed. But when active trade was resumed early in the forties, the required short-term financing was again forthcoming from London.

## STATE BORROWING FOR INTERNAL DEVELOPMENT

Foreign trade, particularly the importation of consumption goods, constituted the primary demand for foreign funds in the years immediately following the Revolution. But the barriers that the English crown

[10] Jenks, *Migration of British Capital*, pp. 68-69, 359 notes 12 and 13; Callender, *Quarterly Journal of Economics*, Vol. XVII, pp. 144-45.

[11] Callender, *Quarterly Journal of Economics*, Vol. XVII, p. 145.

had formerly interposed against free settlement of the land west of the Alleghenies were now down, while the acquisition of Louisiana—and a little later of Florida—threw open wide reaches of additional territory. As these new lands were taken up and development begun, there was an enormous increase in the requirements for European capital.

South of the Ohio River there was a steady expansion in cotton production, a crop particularly attractive because of the export demand. From an initial figure of 190,000 pounds in 1790-91, exports of American-grown cotton increased to more than 93 million pounds in 1809-10. In the early thirties this textile fiber accounted for about half the value of all exports combined; a rapidly growing British manufacturing industry taking by far the greater part of the supply.[12] Both cotton and sugar, the latter also an important southern crop, called for large investments of capital for the purchase and upkeep of slaves and for plantation supplies and equipment. The planters habitually were in debt to their local banks and merchants—and in some cases, to houses in New York. Southern bankers and merchants thus called upon for extension of long credits, in their turn required equally long credits from others. The chain usually led back to London for a considerable portion of the funds thus furnished.[13]

From the early twenties until its demise in 1841, the Bank of the United States took an active part in supplying these credit needs of the South. With a stockholders' list which showed foreign ownership ranging from some-

[12] U. S. Dept. of Commerce, "Cotton Production and Distribution, *Bulletin 162* (1927), p. 53. Ernest L. Bogart, *Economic History of the United States* (1910), p. 208.

[13] Buck, *Anglo-American Trade*, Chap. IV.

thing like 10 per cent in 1822 to slightly more than 24 per cent in 1832 and 56 per cent in 1841,[14] and with the prestige of the government back of it, the Bank had direct access to foreign sources of capital. The planters, however, in search of credit on as favorable terms as possible, called into being a variety of locally controlled banks, the greater number of which were financed by the respective states.

Louisiana led the way in 1824 by establishing her land bank system for which the state issued bonds to a total of 23.4 million dollars. Within a decade, every new slave state in the South from Florida to Arkansas had established one or more banks whose business it was to provide capital for producing and marketing the cotton and sugar of the region. All or nearly all of their capital was supplied by the sale of state bonds, and directly or indirectly most of them sought loans in London.

The northern country opened up beyond the Alleghenies by the westward movement of population was effectively cut off from the Atlantic seaboard by lack of water transportation. Unable to ship his produce to eastern markets, the northern pioneer turned to the Mississippi which, before the advent of the steamboat, offered an expensive and somewhat dangerous route to the settlements at its mouth. Failing a market there, he might ship by sea to towns along the Atlantic, or to Caribbean and European ports. As a highway for goods to be carried against its current up into the interior, the River offered little if any advantage as compared with forest trails.[15] Under these conditions, the northern

[14] Ralph C. H. Catterall, *The Second Bank of the United States* (1903), pp. 111-12, 508.

[15] B. H. Meyer (editor), *History of Transportation in the United States before 1860* (1917), pp. 100 and 283.

pioneer felt keenly his need for roads to supersede the old Indian trails to the east, and for canals connecting with the Great Lakes and thence across to the ocean.

Such projects called for large expenditures and promised only doubtful returns to the investor. Accordingly, they attracted little attention from those with funds to invest. Sentiment developed in favor of a broad program of internal development to be undertaken by the federal government. Gallatin, at the time secretary of the treasury, submitted such a plan in 1808, in compliance with a Senate Resolution of the preceding year. It was never acted upon, however, the constitutional powers of the federal government in this field having been called in question. Meanwhile, the War of 1812 had emphasized the national need for better transportation facilities, and the task denied to the national government was taken up by the states.

Some canals had been built in the United States, of course, even before the states launched upon their careers as builders. Gallatin named six in all that were constructed prior to 1807. The earliest of these was the Dismal Swamp Canal, begun in 1787 under a joint charter from Virginia and North Carolina, and opened in 1794.

Some of these early projects drew small amounts of capital from Europe. With the assistance of Stephen Higginson of Boston, the contractors for the South Hadley Canal—the oldest in New England—sold one-fourth its stock in Amsterdam in 1793. This Massachusetts canal, built around a fall in the Connecticut River, was begun in 1792 and opened for traffic in 1795. For some time thereafter it was operated at a loss, with the deficit covered by assessments against stockholders. After paying $153 a share on such levies, Dutch investors in

the company refused to pay more, and their stock was sold at auction at $80 a share—the last of it in 1804. By 1820 the shares had risen to $280. Toll receipts were good for a time, but net profits were small and, with the coming of the railroads, use of the canal was discontinued.

During these years a wealthy Londoner was supplying practically all the capital employed in constructing another canal around a fall on the Connecticut River—at Bellows Falls, Vermont. Although it had cost $100,000, this little waterway—less than half a mile in length—was valued at only $70,000 in 1826.[16]

The first American canal to attain commercial success was the Erie. Financed by the issue of New York state bonds, this waterway cost the state more than 7 million dollars from 1817 when the work began until 1825 when it was completed. The greater part of the bonds was bought up by English investors.

Even before the Erie was completed in 1825, other states were beginning to mortgage their credit for the development of their resources. Roads, bridges, canals, banks, and—after Maryland had chartered the first American railroad, the Baltimore and Ohio, in 1827—railroads were subsidized by the states, north and south. Europe was eager to acquire these bonds, and several London houses, acting through agencies in New York, bought up entire state issues for resale in England.

The federal government, while not a direct partici-

[16] W. DeLoss Love, "Navigation of the Connecticut River," *Proceedings of the American Antiquarian Society*, new series, Vol. XV, pp. 406-07; Joseph S. Davis, *Eighteenth Century Business Corporations in the United States*, Vol. II (1917), pp. 167-69; Alvin F. Harlow, *Old Towpaths* (1926), p. 164. In 1803 it was estimated that turnpike and canal company securities held abroad amounted to only $180,000. William J. Shultz and M. R. Caine, *Financial Development of the United States* (1937), p. 133.

pant, gave substantial aid to state projects of many kinds.[17] Fortunately for the supporters of the various enterprises, the "big ditch" paid its way. Some time before its completion it was earning almost the full amount of its annual interest charges, and before its obligations had matured it paid them off at a premium.[18] Foreigners were eager for more bonds of the sort New York had sold to finance her canal. The states were ready to oblige.

When the New York state bonds issued in 1817 appeared in London, they were the first of the American state bonds to be quoted in that market. These were followed in 1824 by Pennsylvania and Virginia bonds, put out to provide funds for the canal projects of those states, and by the Louisiana issue, which was to finance her new system of land banks. Ohio bonds followed in 1828, also to provide for canal construction. A Louisiana loan to finance the Planter's Association was publicly issued by Baring Brothers in 1829, the first state loan to be made payable in London at a fixed rate of exchange. Maryland's bonds first appeared in London in 1830; Mississippi bonds, for the Planter's Bank, in 1831; Philadelphia and Baltimore issues in 1832; Indiana and Alabama bonds in 1833. The City of Washington, in 1830, floated a loan in Amsterdam.[19]

These first bonds opened the way for others. England was eager to lend, for her power to export iron and other commodities was closely dependent on the amount

[17] The participation of the federal government in the financing of internal improvements from 1802 to 1835 is summarized by Davis R. Dewey, *Financial History of the United States*, 1931 ed., pp. 212-16.

[18] Meyer, *History of Transportation in the United States*, p. 241.

[19] Jenks, *Migration of British Capital*, pp. 74-76 and 361. Samuel Blodget's *Economica* (1806)—cited by Shultz and Caine, *Financial Development of the United States*, p. 133—estimated state bank securities held abroad in 1803 at 9 million dollars.

of her loans. The American government smoothed the way for such transactions by a provision in the Tariff Act of 1830, remitting more than half the duty on railway iron brought in and actually used for railway purposes. An amendment to the Act in 1832 remitted the whole duty on railway iron brought in by states and corporations. During the following ten years all our railways were laid with British iron.[20]

Soon the states were borrowing to meet interest charges as well as for new public works. In Pennsylvania this began as early as 1829. Thus, borrowing at home and abroad gained momentum, reaching a climax in the years 1836-38. A single offer of Maryland bonds, which Baring Brothers disposed of abroad for the Baltimore and Ohio Railroad in 1836, was equal to a little more than the maximum amount the federal government had been able to raise abroad in the full year 1790—when it had undertaken to borrow 12 million dollars in Holland at 5 per cent and succeeded in obtaining only 3 millions.[21]

A measure of the spending orgy in which the states indulged in the late twenties and throughout the thirties is found in the growth of their indebtedness. They were almost entirely free from debt until about 1820. In that year their combined debts aggregated 12.8 million dollars. In 1830 this indebtedness had increased to 26.5

[20] Meyer, *History of Transportation in the United States*, pp. 601-02.

[21] On advice of the state's commissioner in Europe, these Maryland bonds were issued in sterling at 5 per cent, and not, as originally planned, in American currency at 6 per cent. The state legislature raised the amount of the issue from 3 million dollars to 3.2 millions at the time it authorized the changes in the other terms. The bonds were delivered to the railroad in full payment of the state's subscription to that enterprise, and were in addition to the $500,000 subscribed by the state in 1828. Edward Hungerford, *The Story of the Baltimore and Ohio Railroad* (1928), pp. 202-03; Frederick A. Cleveland and Fred Wilbur Powell, *Railroad Promotion and Capitalization in the United States* (1909), pp. 195, 212.

millions; in 1835 to 66.5 millions; in 1838 to 170.4 millions; in 1840 to 200.0 millions; but in 1842 it had fallen to 198.8 millions.[22] Some of the debt was held at home, but the greater part was in foreign portfolios.[23] The Pennsylvania state debt, for example, amounted to more than 34 million dollars in June 1842, of which more than 23.7 millions were held abroad: 20 millions in Great Britain, 1.8 millions in Holland, and the rest distributed among countries throughout the world.[24] Alabama's debt amounted to 11.5 millions, of which more than 6 millions were made payable in London.[25] New York had a state debt of 26.0 million dollars (July 1845), of which 10.8 millions were held abroad.[26]

Meanwhile, a few private corporations were able to interest foreign capital in their enterprises without the intervention of state credit. The Camden and Amboy Railroad, chartered in 1830, obtained about half its 1.5 million dollars of capital from English sources.[27] The Cairo City and Canal Co., shortly after its incorporation in Illinois—in March 1837—borrowed some 2 to 3 million dollars, most of it from European capitalists.[28] Before its collapse in 1842, some 8,000 shares of the Girard Bank of Philadelphia were owned in England, out of a total of 30,000 shares. English capitalists held about half of the 10 million dollar capital of the North American Trust and Banking Company and part of the

[22] Bogart, *Economic History of the United States*, p. 195; Henry C. Adams, *Public Debts* (1893 reprint of 1877 edition), p. 301.

[23] 27 Cong. 3 sess. (Mar. 2, 1843), H. R. 296.

[24] Reginald C. McGrane, *Foreign Bondholders and American State Debts* (1935), p. 71.

[25] Jenks, *Migration of British Capital*, pp. 361, 368.

[26] *Hunt's Merchants' Magazine*, June 1845, pp. 557-58.

[27] William Z. Ripley, *Railroads: Finance and Organization* (1923), pp. 3-4; Meyer, *History of Transportation in the United States*, p. 583.

[28] Meyer, *History of Transportation in the United States*, p. 521.

## AMOUNT AND PURPOSE OF STATE DEBTS, 1838 AND 1842
(In thousands of dollars)

| Debtor States and Territories | 1838[a] | | | | 1842[b] | | | |
|---|---|---|---|---|---|---|---|---|
| | Aid to Banks | Canals Railways and Roads | Other Purposes | Total | Aid to Banks | Canals Railways and Roads | Other Purposes | Total |
| Alabama | 7,800 | 3,000 | — | 10,800 | 15,400 | — | — | 15,400[c] |
| Arkansas | 3,000 | — | — | 3,000 | 2,676 | — | — | 2,676 |
| District of Columbia | — | — | — | — | .. | .. | .. | 1,316 |
| Florida, Territory | — | — | — | — | 3,900 | — | 100 | 4,000 |
| Georgia | — | — | — | — | — | 1,310 | — | 1,310 |
| Illinois | 3,000 | 8,300 | 300 | 11,600 | 3,035 | 10,371 | 121 | 13,527 |
| Indiana | 1,390 | 10,500 | — | 11,890 | 1,000 | 11,751 | — | 12,751 |
| Kentucky | 2,000 | 5,369 | — | 7,369 | — | 3,085 | — | 3,085 |
| Louisiana | 22,950[d] | 100 | 235 | 23,285 | 20,200 | 1,200 | 2,585[e] | 23,985 |
| Maine | — | — | 555 | 555 | ... | .. | .. | 1,735 |
| Maryland | — | 11,200 | 293 | 11,493 | — | 14,099 | 1,116 | 15,215 |
| Massachusetts | — | 4,290 | — | 4,290 | — | 4,105 | 1,319 | 5,424 |
| Michigan | — | 5,120 | 220 | 5,340 | — | 5,420 | 191 | 5,611 |
| Mississippi[f] | 7,000 | — | — | 7,000 | 7,000 | — | — | 7,000 |
| Missouri | 2,500 | — | — | 2,500 | 389 | 20 | 433 | 842 |
| New York | — | 17,104 | 1,158 | 18,262 | — | 21,727 | 70 | 21,797 |
| Ohio | — | 6,101 | — | 6,101 | — | 10,924 | — | 10,924 |
| Pennsylvania | — | 24,140 | 3,167 | 27,307 | — | 31,186 | 5,150 | 36,336 |
| South Carolina | — | 3,550 | 2,204 | 5,754 | 138 | 3,350 | 2,203 | 5,691 |
| Tennessee | 3,000 | 4,148 | — | 7,148 | 2,000 | 1,198 | — | 3,198 |
| Virginia | — | 6,319 | 343 | 6,662 | 458 | 6,193 | 343 | 6,994 |
| Total | 52,640 | 109,241 | 8,475 | 170,356 | 56,196 | 125,939 | 13,631 | 198,817[g] |

[a] Bogart, *Economic History of the United States*, p. 195.
[b] Adams, *Public Debts*, p. 301. The figures given here for Alabama and Pennsylvania differ slightly from those cited in the text above, presumably because of differences in day and month referred to.
[c] Of this, the direct indebtedness is $10,400,000; liabilities are $5,000,000.
[d] The total paid-up capital of all Louisiana banks in 1837 was 41.5 million dollars, of which 6.9 million dollars were subscribed in other states, 12.3 millions in New Orleans, and 22.3 millions in London. *Hunt's Merchants' Magazine*, June 1845, p. 471.
[e] Of this, $2,000,000 was loaned to a planters' association.
[f] No public works authorized, but dividends on bank stock were assigned to internal improvements and education.
[g] This total exceeds the sum of the component column totals, since no break-down is given for 1842 of the debts of the District of Columbia and Maine.

shares and bonds of a number of other companies. They also held both shares and bonds of the Manhattan Banking Company, the New York Life Insurance & Trust Co. (founded in 1830, shares first quoted in 1836), the American Life Insurance & Trust Co., the Ohio Life Insurance & Trust Co., the New York Farmer's Loan & Trust Co., the Morris Canal & Banking Co., the Schuylkill Bank, and the Philadelphia & Reading Railway; bonds of the Wilmington & Raleigh, the Harrisburg & Lancaster, and the Richmond railways; and shares of the Iron Mountain Railway, the latter held by the Rothschilds.[29]

American securities found their way to Europe in a variety of ways. Some were shipped there by representatives of British houses who bought them up in the American market.[30] A few issues were arranged in London: notably the Louisiana purchase loan, floated in London, Amsterdam, and Paris in 1803; the loan which Baring Brothers handled for the state of Maryland in 1836; and the Florida issue of £200,000 also offered in London in 1836.[31] Loans for some of the states, among them the South Carolina loan of 1838, were floated by the old East India house; and Massachusetts on occasion dealt directly with Baring Brothers. But by far the larger part was originally issued in New York, Philadelphia, or Baltimore and from there taken to London to serve as collateral for loans—or to be sold to merchant bankers who disposed of them to their clients.

The Bank of the United States played an active part in thus finding foreign buyers for American securities.

[29] Jenks, *Migration of British Capital*, p. 361, note 31.
[30] The same, p. 90.
[31] Clarke, *Journal of the Royal Statistical Society*, June 1878, p. 314; Jenks, *Migration of British Capital*, p. 94.

It is said that on a single trip in 1836, the cashier of the Bank carried to London 20 million dollars of dollar securities, as well as the bonds for a £2,000,000 gold loan which Baring Brothers were to issue on behalf of the Bank.[32] The Bank itself was a large borrower in London, and its own shares were favorites with European capitalists. Early in 1832, there were 79,159 of its shares held abroad out of 300,000 in private hands, and 197,551 abroad in 1841 out of 350,000 privately held.[33] Since the Bank was so largely their own, foreign capitalists assumed that it was good business to buy up the securities it offered. The Morris Canal Bank and the North American Trust Company also arranged for the shipment and sale of some securities in London.

George Peabody found buyers for many American issues. On his early trips to London he dealt in both goods and securities, but after he had founded his London house in 1835, he specialized more and more in the financing of American enterprises. His experience with the Chesapeake and Ohio Canal Company indicates the way these transactions were sometimes handled. In 1839, in the capacity of fiscal agent for the Canal Company, he undertook to sell Maryland state bonds which the company deposited with him as a pledge and a means of payment for its foreign debt of about $1,250,000.[34] Much was expected of the agent on this occasion. The company complained bitterly that Peabody was selling their bonds at a time when security prices were very low. They demanded that he hold the bonds for a better market, meantime advancing them the funds they needed. Peabody's refusal to do this was met by criti-

[32] Jenks, *Migration of British Capital*, p. 85.

[33] Catteral, *Second Bank of the United States*, pp. 168, 508; Jenks, *Migration of British Capital*, pp. 66, 95.

[34] Lewis Corey, *The House of Morgan* (1930), p. 46.

cisms so severe, and as he felt, so unjust, that he resigned his connections with the company.

The contractors building the Illinois and Michigan Canal accepted $1,000,000 in Illinois state bonds in 1839 in part payment of their claims. And at once they sent to London, as their agent, one General Thornton, who disposed of the bonds at 81¼ in sterling.[35]

Thus as pressure for funds grew, state and private enterprises in the United States sent their agents over to Europe—"generals, congressmen, and canal commissioners," turned bond salesmen—to make certain that no source of capital was left unexplored.[36]

### "NOT A DOLLAR" FROM EUROPE

European purchases of American securities came to a pause for a time in 1837. February and March had seen a 25 per cent decline in the price for raw cotton, reflecting the cut in yarn prices with which British spinners were trying to meet increasing competition from French and German spinners. British houses specializing in American securities were hard hit by this event, for a considerable share of America's payments on commercial debts and for interest and dividends payable abroad was provided by cotton exports. Difficulties on both sides of the Atlantic were increased by certain banking and monetary measures that had been designed to furnish a check on credit expansion.[37]

To Nicholas Biddle, president of the United States Bank, recovery from panic conditions seemed to hinge

[35] In all, $4,000,000 were authorized. The United States Bank took $1,000,000, creditors of the Canal took $100,000, a London house took $152,000, and the contractors took $1,000,000 at par. *American Railroad Journal*, 1855, p. 70.

[36] Jenks, *Migration of British Capital*, p. 94.

[37] Dewey, *Financial History of the United States*, pp. 209-10, 219-21, 227-30; Jenks, *Migration of British Capital*, pp. 86-88.

on new foreign purchases of American securities, which would provide funds for liquidating pressing short-term obligations, and on credit for southern cotton merchants, enabling them to hold the crop for higher prices. Operating on the credit the Bank enjoyed abroad, he managed to corner the supply, and to restore the price of American cotton. With this, he also restored the British appetite for American securities.[38] But in 1839 the spinners would no longer take cotton at the prices demanded. Neither would British banks advance the additional loans that would have enabled Biddle and his associates to continue their corner. The whole plan collapsed. For a time European shareholders and financiers furnished the Bank with funds to meet its most pressing obligations, but it was forced into the hands of a liquidating committee early in 1841.

The borrowing spree was over. States and state enterprises depending on new credits to meet charges on existing debts were forced to default. Nine states stopped payment of interest in the course of 1841 and 1842. Michigan repudiated a portion of her debt, on the ground that the original takers of about two-thirds of the bonds, the Morris Canal and Banking Company and the United States Bank, had only partially paid for some of them—disregarding the fact that some had already been sold by these banks to third parties who had paid in full. Mississippi and Florida repudiated all of theirs, on the ground that the debts had been contracted in an unconstitutional manner—Mississippi claiming that the contracts had already been broken by the conduct of the agents, and Florida that she had been a territory and therefore constitutionally unable to contract a debt. Indiana, Illi-

[38] Jenks, *Migration of British Capital*, pp. 88-98.

nois, Louisiana, Arkansas, Pennsylvania, and Maryland merely professed inability to pay.

With reviving trade all but two of the states resumed payment; Pennsylvania, the first, resuming in 1845, but at a discount. Of the other states effecting settlement soon after, some settled in full, some in part, by various means of payment. In the southern states, cotton shipments furnished the means for redeeming a considerable portion of the bonds held abroad. Sent back to American merchants and planters in payment for English imports of cotton, these bonds were automatically retired when the states accepted them in payment for debts due.[39]

The six years following the panic of 1837 were trying years in American railway building. In the South, many projects failed that had been started earlier, but there was a considerable increase in the mileage of the roads in this section. West of the Alleghenies new roads were planned, but very little was done in the way of actual construction. New England and the Middle Atlantic states, however, added to their mileage by completing lines on which work already was under way, and by chartering and building some new roads.[40] For the

[39] Mississippi and Florida repudiated their debts. The story of the repudiations and the effects on United States credit is told by William A. Scott, *The Repudiation of State Debts* (1893), and by Jenks, *Migration of British Capital*, pp. 99-108, and notes on pp. 367-69. The *London Times* of Apr. 7, 1854 estimated that aside from losses of interest, foreign investors lost 40 million dollars through the repudiations and defaults of the forties.

[40] The Western Railway of Massachusetts, for example, was chartered in 1833. Construction started in 1837, and operation over the whole line began in January 1842. An extension of the road, under the title of the Albany and West Stockbridge Railroad Company, was chartered in New York in 1836, and was built in that state between the years 1838 and 1842. In 1840, meetings were held in Boston to raise money for the 31-mile Attica and Buffalo—the last link in the line between Buffalo and Albany; construction began in 1841, and the project was completed two years later. The Eastern Railroad of New Hampshire

country as a whole the mileage in operation increased from 1,913 miles in 1838 to 4,185 miles in 1843; and to 4,930 in 1846.[41] Fewer miles were added to the American railways in 1843, the first year after the defaults on state debts, than in any year since 1835.

For the most part the mileage added during this period was financed locally, but a few enterprises were able to obtain funds from abroad. The Western Railway of Massachusetts received a grant of a little more than 4.3 million dollars of state bonds, issued in sterling in five different lots as the road progressed, for Massachusetts had preserved her credit and found no great difficulty in securing foreign funds. About 2.2 million dollars of additional capital for the road were obtained by a thorough canvass of Boston and the towns along the right-of-way.[42] Kentucky borrowed in Frankfort in 1838 and in 1840.[43] A new issue of Baltimore and Ohio Railroad bonds was sold in driblets on the London market, Baring Brothers handling the issue and furnishing the road with cash from time to time.[44] Work went forward at a laggard pace, however, as it did on other roads.[45]

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was chartered in 1836, began building in 1839, and was opened for public use in December 1840. The Housatonic, chartered in Connecticut in 1836, began building the following year and was ready for use in 1842. Meyer, *History of Transportation in the United States,* pp. 328-31, 335, 343, 378; *Poor's Railroad Manual,* 1868-69, pp. 15-18, 20.

[41] *Poor's Railroad Manual,* 1868-69, p. 19. The first year of railway operation in the United States was 1830.

[42] The City of Albany issued 1 million dollars of bonds to provide funds for the Albany and West Stockbridge Railroad.

[43] *Poor's Railroad Manual,* 1868-69, p. 440.

[44] Peabody and Baring Brothers both appear to have participated in these operations. See Hungerford, *The Story of the Baltimore and Ohio Railroad,* pp. 202-03; and Jenks, *Migration of British Capital,* p. 107.

[45] The Erie Railway was in the hands of receivers in 1842. The Philadelphia and Reading, which was opened to the coal fields of Pennsylvania in 1842, sold a sizeable 6 per cent loan in London in 1843.

Some Illinois and Michigan Canal bonds found takers abroad in 1839 and 1840.[46]

The national government was in a less favorable credit position than some of the states. It had been called upon and had refused to assume the foreign obligations of the states. As a result, it was altogether without credit abroad. The Paris Rothschild curtly replied to an agent of the American government seeking a loan for the Treasury in 1842: "You may tell your government that you have seen the man who is at the head of the finances of Europe, and that he has told you that they cannot borrow a dollar, not a dollar."[47] In London the reply received from Baring Brothers was that if the federal government would assume the state debts, Barings would guarantee all the money that might be desired at 3 per cent; otherwise, no money could be secured in London at any price.[48] But the government was not to be browbeaten. The state debts continued to be state obligations, and the national treasury obtained in New York the financial assistance denied in Europe.

[46] *Poor's Railroad Manual*, 1868-69, p. 440.
[47] Jenks, *Migration of British Capital*, p. 106.
[48] Adams, *Public Debts*, pp. 337-38, note 3.

# CHAPTER II

# BORROWING FOR RAILWAY EXPANSION (1846-1914)

Recovery from the depression that followed the panic of 1837 and the defaults of the early forties brought a renewal of foreign borrowing. It was the discovery of gold in California, however, with the resulting activity in trade, manufacturing, and railway building, that started a considerable flow of European capital to America. Railway building required large purchases of British iron and locomotives. For a time, German and Dutch investors furnished a large part of the funds required, but eventually London again became the principal taker of American issues. At the outbreak of the World War European portfolios of American securities were largely made up of railway bonds, securities formerly considered highly speculative with few odds in their favor.

## EARLY QUEST FOR FOREIGN FUNDS, 1846-60

All sections of the country took part in the railway boom that began in 1849. This is indicated by a comparison of end-of-the-year figures of the mileage in operation in the several groups of states for a number of years preceding the Civil War.[1]

[1] The figures are from *Poor's Railroad Manual*, 1868-69, p. 20. The Middle Atlantic states are: New York, New Jersey, Delaware, Pennsylvania, Maryland and District of Columbia, and West Virginia. The North Central states are: Ohio, Kentucky, Michigan, Indiana, Illinois, Wisconsin, Minnesota, Iowa, and Missouri. The Southern states are: Virginia, North Carolina, South Carolina, Georgia, Florida, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma, and Texas. The Pacific states are: Washington, Oregon, and California.

| Groups of States | 1848 | 1849 | 1851 | 1853 | 1856 | 1860 |
|---|---|---|---|---|---|---|
| New England | 1,276 | 2,073 | 2,800 | 3,153 | 3,577 | 3,660 |
| Middle Atlantic | 2,518 | 2,901 | 3,795 | 4,745 | 5,686 | 6,706 |
| North Central | 707 | 782 | 1,940 | 3,875 | 7,292 | 11,589 |
| Southern | 1,495 | 1,609 | 2,447 | 3,587 | 5,439 | 8,648 |
| Pacific | — | — | — | — | 23 | 23 |
| Total | 5,996 | 7,365 | 10,982 | 15,360 | 22,017 | 30,626 |

Profiting by earlier experience, the states decided to leave to private initiative the prodigious task of "winning the West," and likewise the South and East. They put their resolutions on record by writing into their constitutions provisions prohibiting the use of state funds or credit for internal improvement. Having done this, many of them, through their legislatures, evaded these prohibitions and continued to give aid to privately owned railways.[2] But it was the railways, rather than the states, that were now taking the lead in borrowing abroad.

It was estimated that for a few years Europe took annually from 30 to 40 million dollars of American railway securities. Then came the period of the Crimean War, 1853-56, when Europe withdrew a large part of the short-term capital loaned here and liquidated some securities.[3] But even during this period and the panic year 1857 there was some new foreign lending to the railways.

### LARGE-SCALE BUILDING AND BORROWING, 1860-1914

The Civil War showed the necessity for a closer union of the East with the territories west of the Mississippi, although it temporarily retarded the rate of new railway building. Plans for a railway across the plains and the almost unknown regions lying in and between the Rockies and the Sierra Nevadas were well advanced

[2] Frederick A. Cleveland and Fred Wilbur Powell, *Railroad Promotion and Capitalization in the United States* (1909), pp. 37-38.

[3] *American Railroad Journal*, 1856, p. 113; 1857, p. 24.

before war was declared. Preliminary surveys had been made of several possible routes, thanks to a general act of Congress of March 3, 1853, providing ample funds for the purpose. These plans finally began to take tangible form in the summer of 1862. The national government also gave encouragement to railway building in general by conveying large tracts of public lands to the states, which they in turn transferred to railway corporations building along specified routes. Beginning in 1850 with the grants to Illinois, Alabama, and Mississippi for the Illinois Central and the Mobile and Ohio railways, government land had been given to eleven states prior to the war.[4] During and after the war large additional grants were made and other states were added to the list.

The Pacific railways, authorized by Congress in July 1862, were given public lands and also subsidies in the form of thirty-year United States bonds.[5] Organized under this act, the Union Pacific and Central Pacific began breaking ground in 1863, the one striking west from Omaha, the other east from San Francisco. Actual construction of the two roads was not well under way until in 1865, but thereafter it was pushed forward with great speed until, in May 1869, the tracks of the two roads were joined at Promontory Point, Utah, with great ceremony. Another of the Pacific lines, the

[4] *Poor's Railroad Manual*, 1868-69, pp. 66-68; Cleveland and Powell, *Railroad Promotion and Capitalization in the United States*, pp. 245-56.

[5] These bonds were payable in currency, thus making their real value somewhat indefinite. They were made a charge against certain income of the companies. The government at first required a first mortgage on the property of the respective companies as security for the loan of these bonds, but in 1864 reduced its lien to a second mortgage, and permitted the companies to issue their own first-mortgage bonds, in addition, of course, to the capital stock authorized. Cleveland and Powell, *Railroad Promotion and Capitalization in the United States*, pp. 256-58.

Northern Pacific, was chartered by Congress in 1864 to construct a railroad from Lake Superior through the state of Minnesota and the territories of Dakota, Montana, Idaho, and Washington to Puget Sound, with a branch to Portland, Oregon. The Atlantic and Pacific[6] received its charter and land grant from Congress two years later. Its route, lying somewhat south of that followed by the Union Pacific and Central Pacific, extended from the western boundary of Missouri to the Pacific.

At the same time, new railways were being chartered by the various states, also with large land grants if their routes lay through public lands; and old roads were being consolidated and extended. In Minnesota, the Minnesota and Pacific was incorporated in 1857, changed its name to the St. Paul and Pacific five years later, and finally (1889) formed the nucleus for the Great Northern. In Missouri, the Pacific Railroad Company (1849), after various consolidations and changes, was reincorporated in 1876 as the Missouri Pacific. In Wisconsin, the Chicago, St. Paul and Fond du Lac was chartered in 1855—and sold four years later at a foreclosure sale to the Chicago and North Western. In the same state, in 1863, the Chicago, Milwaukee and St. Paul was incorporated (going under the name of the Milwaukee and St. Paul Railway Company until 1874). Oregon, in 1865, granted a charter to the Oregon and California, successor to the Oregon Central. The Atchison, Topeka and Santa Fe Railroad, a Kansas company dating from 1863, took over the Atchison and Topeka Railroad Company incorporated four years earlier. Several short roads in California consolidated in 1865 to form the California Pacific, which nineteen years later was leased to the Central Pacific.

[6] Later purchased by the Atchison, Topeka and Santa Fe and the St. Louis and San Francisco railroad companies.

These are some of the more important companies then making their entry among the railways. Many others would necessarily be included in any comprehensive list of important new roads chartered at the time. Mileage in operation, end-of-the-year figures, increased from 31 thousand in 1860 to 35 thousand in 1865, and to 53 thousand in 1870. By 1880, there had been a further increase of almost 80 per cent, to a figure three times the mileage in operation twenty years earlier. This growth had been fairly general throughout the country, most of the separate groups of states having doubled or tripled their mileage during these twenty years.

Effects of the drive to reach the Pacific are shown particularly in the figures for the Western and Mountain states which, with no mileage in operation in 1860, had 11,660 miles in 1880; and in the three Pacific states where the increase was more than 120-fold. The increase in the Southern states is also to be explained in part by the Pacific building, since the state with the largest increase—and also the largest mileage—in 1880 was Texas, with 307 miles in 1860 and 3,244 miles in 1880. In the end-of-the-year figures which follow, showing mileage in operation, one new group of states has been added to those given on page 30 above.[7]

| Groups of States | 1860 | 1865 | 1870 | 1880 | 1913 |
|---|---|---|---|---|---|
| New England......... | 3,660 | 3,834 | 4,494 | 5,982 | 7,935 |
| Middle Atlantic....... | 6,706 | 8,539 | 10,964 | 15,838 | 27,959 |
| North Central........ | 11,589 | 13,252 | 21,493 | 39,155 | 76,096 |
| Southern............. | 8,648 | 9,065 | 11,150 | 17,640 | 72,642 |
| Western and Mountain. | — | 162 | 3,737 | 11,660 | 48,928 |
| Pacific.............. | 23 | 233 | 1,084 | 2,992 | 16,247 |
| Total........... | 30,626 | 35,085 | 52,922 | 93,267 | 249,807 |

[7] The states comprising the several groups are the same as those listed on p. 29 above. The Western and Mountain group includes: North Dakota, South Dakota, Nebraska, Kansas, Montana, Idaho, Wyoming, Colorado, New Mexico, Utah, Arizona, and Nevada. The figures are from *Poor's Railroad Manual*, 1868-69, and from the *Statistical Abstract of the United States*, 1925.

The huge projects mirrored by these figures required enormous outlays of capital. Sometimes the borrowing road sold its bonds in New York, Boston, or Philadelphia, where some were bought up for European clients. In a great many cases, however, the borrowers took their bonds directly to foreign markets.

### THE FOREIGN SALES CAMPAIGN OF THE NORTHERN PACIFIC

The most colossal foreign sales campaign in the history of the railways was, without doubt, the one that Jay Cooke staged for the Northern Pacific during the three years preceding the panic of 1873. Cooke had been somewhat reluctantly persuaded to manage the financing of the road,[8] but once committed, to use a favorite expression of his, he set to work on the job "man-fashion." One of his partners, in London, in the summer of 1869, began negotiations with the Rothschilds. Their response, however, was cool: the reputation of American railways in general was not particularly good in Europe; there were many new roads competing for foreign funds; war between Germany and France was considered inevitable.

Early the following year negotiations were pressed in Germany. Money was spent like water. German newspapers were bought up and their services were "grievously needed," for the Berlin Bourse issued a warning to the German public against buying American railway securities. Germany and Holland were districted for a sales campaign. Back in London, the *Times* was finally won over, but the plans then well under way for a London bond issue were interrupted by the Franco-Prussian War.

[8] Before the end of the war he had become identified with the Lake Superior and Mississippi and had bought up Minnesota land.

From one banking house to another Cooke's agents travelled. Fifty million dollars were wanted from Europe. A London branch of the house of Jay Cooke and Company was established. Plans were made for bringing 100 thousand immigrants across the Atlantic to settle the region traversed by the projected road. Labor was imported. Antagonisms were created by the way the negotiations were handled. Vienna bankers, invited to participate in the sale of the bonds, sent representatives to examine the road thoroughly. Canada and the West Indies were included in the selling campaign.

When the loan had been "hawked about from door to door" in Europe, it became evident that if the 50 million dollars of bonds were to be sold, the greater part must be sold in America. Sales at home were pushed more vigorously, though the campaign in Europe was not abandoned. Cooke's firm advanced money to the railway, taking its bonds and stock as collateral. The times were difficult; public confidence in the road ebbed lower and lower; and the value of its securities, which bulked large in the Cooke portfolio, declined. On September 18, 1873, the house of Cooke closed its doors and panic reigned. When the Northern Pacific was reorganized twenty years later, such a large proportion of the company's bonds were held in Germany that the Deutsche Bank was included in the reorganizing syndicate to take care of German interests.[9]

This is an exaggerated example of the way American railways combed the financial markets of Europe for funds, but it indicates in general the technique employed.

[9] This story of the Northern Pacific is drawn from Ellis P. Oberholtzer, *Jay Cooke* (1907), Vol. II. Some details of the reorganization in 1893 are given in the *Commercial and Financial Chronicle*, Mar. 10, 1894, p. 431. The Germans held more than 7 million dollars of third-mortgage bonds of the road and also a large amount of second-mortgage bonds.

Even before the Civil War the New York Central had sent one J. V. L. Pruyn, with his family, to establish an office in London for transferring the company's stocks and bonds. Pruyn, it was understood, was also expected to handle such transactions for the Michigan Central and the Chicago, Burlington and Quincy. "Such offices," said the *American Railroad Journal* in making this announcement, "are likely to be generally established for American roads."[10] And, only ten years before the World War, the French Finance Corporation was organized to act as financial agent for American railway corporations wishing to obtain loans or sell securities in France.[11]

### BRITAIN'S FINANCING OF AMERICAN RAILWAYS

By and large, British investors were the ones who for more than three-quarters of a century furnished American railways the principal market for their securities. They bought the securities of the Baltimore and Ohio, the Philadelphia and Reading, the Erie, the Mobile and Ohio,[12] the Illinois Central, the Union Pacific, . . . when those roads were in their infancy. Thereafter they continued to support those roads, and gradually added others to their list of favorites. Year in, year out, as one finds by referring to the financial journals, they bought up new issues for roads in the North, the South, the East, and the West. Of the new flotations offered abroad, British investment houses handled the great majority—alone or with American houses. Occasionally such loans were handled in cooperation with Frankfort or Berlin, with

[10] 1856, p. 697.

[11] *Moody's Manual of Railroads and Corporation Securities*, 1910, p. 2705.

[12] The Mobile and Ohio was chartered in Alabama in 1848. In March 1854, Peabody was undertaking to sell $5,215,000 of bonds in London to help finance the building of the road. *American Railroad Journal*, 1854, p. 204.

Amsterdam, a few times with Antwerp, and sometimes—particularly after the beginning of the twentieth century—with Paris.

Following the depression of the early forties, British purchases of American railway securities were slow to develop. Such securities had not yet been tested in world markets: the charter of the country's oldest road dated back only to 1827, and in 1840 the mileage of all American roads amounted to less than 3,000 miles. Moreover, British investors were still smarting from the losses occasioned by the defaults and repudiations of the states. However, with the discovery of gold in California and the attendant railway building boom, America was rediscovered as the land of opportunity for foreign capital.

British investors who wished to have a share in the development of a country with such fabulous resources as those recently brought to light, went to their London bankers for advice for they had little acquaintance with the United States except that gained through their experience with state bonds. It is told that at a dinner given by the Lord Mayor of London, one of those present inquired of an American guest "which of the two American cities is the larger, Cincinnati or Illinois?"[13] But the bankers in general had little better information than their clients—though there were some houses in London, such as George Peabody's, that were well informed concerning American securities. For the most part the selection for the London market was made from the stocks and bonds offered there by American promoters.

"It was the old story of the state loans over again," said the *London Times*,[14] in commenting on the growth

[13] *American Railroad Journal*, 1853, p. 370.

[14] Quoted from the "City Article," Sept. 10, 1857, by the *American Railroad Journal*, 1857, p. 629.

of Britain's holdings from perhaps 300 million dollars in 1852 to around 500 millions in 1857.[15] "*Any honorable member of Congress or Assembly coming over to England had only to make a demand large enough, and he could get all he wanted.* He would go to a leading ironmaster, give a heavy order for rails, pay about 30 or 40 per cent above their value, and trust to this gentleman for the disposal, through brokers and others tempted by a noble percentage, of such amount of stocks and bonds as might be deemed appropriate for the moment. The next and each succeeding year the process might of course be repeated, since the prosperity of the part already constructed rendered extensions of all kinds indispensable. . . . No field for the employment of capital is superior to that of the United States," the *Times* concluded, "and the sympathies of business beget a universal disposition here to seek it and trust to it. Under such circumstances it is deplorable that owing to a want of concerted action among the honest portions of the two communities a depraved minority should command all the channels of enterprise, and render confidence impossible."

A road exceptionally favored by the British in this period was the Illinois Central. Under discussion before the depression of 1837 began, this project might then have borrowed in London or New York, but Illinois jealously hoped to keep control of the enterprise at home. In 1851, however, when a charter was finally issued, the incorporators were a group of Boston and New York capitalists, who immediately sent a representative to England, where he was quite successful in obtaining a loan for the company.[16] This road, being one

[15] C. K. Hobson puts the amount held in Great Britain in 1857 at 400 millions. *The Export of Capital* (1914), p. 128.

[16] *American Railroad Journal,* 1853, p. 379. The formation of the company and the progress of negotiations is followed in the same journal: 1851, pp. 139, 187, 497, 668, 792; 1852, pp. 26, 114.

of the first of the land-grant roads, was confidently expected to pay its way.[17] Moreover, the members of its first board of directors were favorably known in England and on the Continent. Therefore, though British newspapers in the early fifties were very critical of American railways, this one was pronounced "intrinsically sound" by the *London Times*. As its stock and bonds were offered from time to time, they were bought up by British and Dutch investors, until the bulk of them was owned in those two countries.[18]

In the main the British bought bonds, but American railway shares also found a place in their portfolios. In the fifties they held the bulk of the shares as well as the bonds of the New York and Erie, the Philadelphia and Reading, and of lines from Marietta to St. Louis, later taken over by the Baltimore and Ohio.[19] So large were the English holdings in the Philadelphia and Reading (chartered in 1833) that in 1857 its president was chosen from the firm of McCalmont Bros., the London financial agents of the road.[20] They purchased 1 million dollars of Baltimore and Ohio bonds in 1848. In 1853, through Peabody, they bought stocks and bonds of the Ohio and Mississippi Railroad, which had reached the limit of the

[17] Congress granted the land to the states, but in all cases they, as speedily as possible, transferred it to railroad companies chartered by them to construct lines upon the general routes specified in the respective acts of Congress. The grant to the Illinois Central amounted to approximately 2,595,000 acres. *Poor's Railroad Manual*, 1868-69, pp. 66-68, 355.

[18] B. H. Meyer (editor), *History of Transportation in the United States before 1860* (1917), p. 533; Leland H. Jenks, *The Migration of British Capital to 1875* (1927), p. 169; S. F. Van Oss, *American Railroads as Investments* (1893), p. 728. The *American Railroad Journal*, 1852, pp. 415-16, shows the general standing of American railways with British investors.

[19] Jenks, *Migration of British Capital*, p. 169. English investments in the Erie are mentioned in the *American Railroad Journal*, 1852, p. 418; 1853, p. 379.

[20] Van Oss, *American Railroads as Investments*, p. 314.

capital it was able to raise at home.[21] They bought Illinois Central stock soon after the chartering of the road in 1851.

It was the British who took the shares of the New York Central and Hudson River Railroad when in 1879 William Vanderbilt decided to distribute some of his holdings and thus meet the storm of public hostility against his management and monopolistic control of the road. J. S. Morgan headed the syndicate which sold 250 thousand of the common shares in November 1879, and another 100 thousand early the following year.[22] They bought shares in the Louisville and Nashville: 18 British shareholders in 1888 together owned 25 per cent of the road's stock, and there were at least 45 other holders concerning whose aggregate number of shares we have no information.[23]

In addition to issues floated in London, the British bought railway securities that originally were issued only in the United States. This is clearly shown by the Dollar Committee's list of American securities turned over to the British government during the World War. An analysis of the railway securities in the list shows that about 18 per cent of those dated later than 1896 had been issued and listed in American markets only.[24]

[21] Edward Hungerford, *The Story of the Baltimore and Ohio Railroad* (1928), p. 302.

[22] Henry Clews, *Twenty-Eight Years in Wall Street* (1888), p. 516; Lewis Corey, *The House of Morgan* (1930), pp. 139-42. The price to the syndicate was $120 per share; to the public $130. Six years earlier a 6 per cent loan of 2 million pounds sterling had been floated in London for the same railway. The *Chronicle* (Investors' Supplement), January 1889, p. 89.

[23] The *Chronicle*, Jan. 7, 1888, p. 45.

[24] This figure is based upon an item by item analysis of the railway securities listed in the Committee's *Report*. We have not undertaken to make this breakdown of the figures for years prior to 1897. A further analysis of the *Report* is given in App. B, pp. 537-45.

When the British were forced to liquidate a large share of their American securities during the World War, it was found that they were still large stockholders in these and a number of other roads. In all there were sixteen roads in which, according to the *Report of the American Dollar Securities Committee*, British stock ownership amounted to a million dollars or over. These are listed below, with figures in millions of dollars, showing the Committee's valuation of the shares mobilized.

| Road | Common Stock | Preferred Stock |
|---|---|---|
| Alabama Great Southern | 2.1 | 1.2 |
| Atchison, Topeka and Santa Fe | 17.0 | 15.2 |
| Baltimore and Ohio | 9.2 | 6.1 |
| Chicago and North Western | 2.1 | 0.7 |
| Chicago, Milwaukee and St. Paul | 6.9 | 5.6 |
| Cleveland and Pittsburgh | — | 2.2 |
| Great Northern | 7.6 | 33.2 |
| Illinois Central | 11.5 | 1.4 |
| Louisville and Nashville | 1.7 | — |
| New York Central | 18.3 | — |
| Norfolk and Western | 2.2 | 1.1 |
| Northern Pacific | 34.6 | — |
| Pennsylvania | 58.2 | — |
| Pittsburgh, Ft. Wayne and Chicago (guaranteed by the Pennsylvania) | — | 2.1 |
| Southern Pacific | 15.8 | — |
| Union Pacific | 27.6 | 8.5 |

Their railway bonds amounted in value to almost two and a half times their holdings of shares in 1914. The British were at this time by far the most important of America's creditors. And in the British portfolio, railway securities were by far the most important group held.

## DUTCH EXPERIENCES WITH AMERICAN RAILS

Dutch investors in the sixties and seventies were particularly interested in roads then building in the Mississippi Valley and states to the west: in the Atchison,

Topeka and Santa Fe; the Cairo and Fulton (absorbed by the Missouri Pacific in 1874); the California Pacific; the Central Pacific; the Chicago, Milwaukee and St. Paul; the Chicago and North Western; the Denver Pacific (consolidated with the Union Pacific in 1880); the Denver and Rio Grande; the Illinois Central; the Kansas Pacific; the Missouri, Kansas and Texas; the Missouri Pacific; the Oregon and California; the St. Paul and Pacific; and the Union Pacific. Like the British they preferred bonds, but they also held some stock—in the Illinois Central and Union Pacific, for example.[25]

Occasionally they floated a railway bond issue, and occasionally, to protect their interest, they gained representation on the boards of directors of some companies. Amsterdam bankers, late in 1870, participated in the flotation of an issue for the Denver and Rio Grande. In July 1871 they took part of a 7 per cent first mortgage for the Arkansas Central. In 1875 they loaned half a million dollars to the Stockton and Copperopolis, guaranteed by the Central Pacific. In 1874, a resident of Holland was on the board of directors of the Chicago, Milwaukee and St. Paul, and another on the Chicago and North Western. A few years earlier, there were two on the board of the latter company. Ten years later, none was shown by any of the companies listed in *Poor's Manual*,[26] Dutch interests at that time being in the hands of American directors.

With generations of investment experience back of

[25] Material in this paragraph is from Robert E. Riegel, *The Story of the Western Railroads* (1926), p. 139, and from the *American Railroad Journal*, 1855, p. 119. The stock holdings of the Dutch in the Union Pacific are given as 32 thousand shares in 1884; 61 thousand in 1888; and 21 thousand in 1892—out of about 600 thousand shares outstanding. U. S. Dept. of Commerce, *Commerce and Navigation of the United States*, 1893, p. xxiii.

[26] Early numbers of *Poor's Railroad Manual*.

them, the Dutch chose their securities with care, but on two early occasions their choice was, to put it mildly, extremely unfortunate. James McHenry, the wily promoter and first president of the Atlantic and Great Western, persuaded them to invest heavily in his road, which was built with great extravagance and waste during the Civil War and which, in 1867, was already in default, and "during the years 1869-80 broke the records for defaults and reorganizations."[27]

The other road that brought them considerable losses was the St. Paul and Pacific Railroad Company. In 1871, with its main line lacking some sixty miles of completion, the St. Paul and Pacific had built certain extensions, and had mortgaged them for $13,380,000, getting most of the money from banking houses in Holland. Threatened with the loss of its land grant unless certain construction work was completed within the next two years, the company borrowed an additional 8 millions in Holland. This new money was spent within a year, but the required mileage was still not finished. Work was suspended and shortly thereafter the Dutch bondholders had a receiver appointed.

At this point James J. Hill crossed the path of the Dutch investors. Hill, with the help of Canadian financiers, organized the St. Paul, Minneapolis and Manitoba Railroad Company for the purpose of buying up the St. Paul and Pacific. He sent a representative to Holland to buy up the bonds held there, at prices varying from 75 to 13¾ for the five different classes. Later it was charged that the receiver for the road deliberately mismanaged its affairs in order that its bonds might be bought in at reduced prices.

Finally, in 1879, Hill and his associates bought in the

[27] Van Oss, *American Railroads as Investments*, p. 412.

entire St. Paul and Pacific, main lines and extensions, including land grants, for $6,780,000, a price which the bond and shareholders received largely in receiver's debentures and bonds. Immediately after buying the property, the new owners sold the greater part of the land grants for $13,068,887. Some of the bondholders, not assenting to the sale of the road, got help from the Swedish consul in St. Paul in attempting to fight the sale, but without success. The whole case was well aired in the courts in 1879-80, but without disturbing Hill in his possession of the properties, or in any way bettering the situation of the Dutch capitalists.[28]

In spite of these experiences, the Dutch maintained their holdings of American railway securities. In 1888 they participated with British and German houses in a 4.4 million dollar mortgage loan to the Union Pacific.[29] In 1890, when the outstanding bonds of the Missouri, Kansas and Texas matured and the company was in receivership, they had almost 5 million dollars of these bonds. When the company was reorganized and new bonds were issued to provide payment for those matured, the Dutch subscribed 4.9 millions, and a resident of Holland was elected to the board of directors. In 1915—when the company was again in default and receivership—they were still in possession of these bonds.[30] Through these years they kept a substantial portion of

[28] Gustavus Myers, *History of Great American Fortunes* (1909), Vol. II, pp. 51-56, 340, 359-74; Riegel, *The Story of the Western Railroads*, pp. 212-13; Van Oss, *American Railroads as Investments*, p. 654; 71 Cong. 3 sess., H.R. 2789, Pt. 3 (1931), pp. 1365-77. In 1889, the Great Northern Railway was chartered and soon after obtained a 999 year lease on the St. Paul, Minneapolis and Manitoba Railway Company.

[29] The *Chronicle*, Oct. 27, 1888, p. 490.

[30] The same, 1890, Jan. 11, p. 71; Mar. 22, p. 423; May 24, p. 735; Oct. 11, pp. 495-96; 1916, Jan. 8, p. 154; and *Poor's Railroad Manuals*.

their Illinois Central securities.[31] In 1909 they participated in a new loan for the Missouri Pacific. The following year they took part of the French loan for the St. Louis and San Francisco; and in 1912 they participated with London in a Denver and Rio Grande loan. Receivership proceedings showed that they had accumulated more than 7.6 million dollars in the bonds of the Chicago, Rock Island and Pacific.[32]

### GERMAN INTERESTS

In the early fifties the Germans were declared to be our best security customers. "They are the largest buyers," said the *American Railroad Journal*. "They confine their purchases to our best securities, . . . they purchase with the same regularity that their merchants do our cotton and tobacco, and in this way, give a uniform tone and character to our money market."[33] This was an exaggerated statement, however, for Britain's American investments were then generally estimated to be about seven times those of Germany. But there appears to have been a temporary lull in British buying—lasting almost a score of years—during which Germany held the title of "the chief center of European investments in our bonds."[34]

Suspension of interest payments by several roads early in 1856 brought loud laments from the Germans who held some 90 million florins, or 42 million dollars, of American securities (largely railroad bonds and shares). These, according to the *Frankfort Journal*, were acquired mostly in the years 1848 to 1851, when the uncertain-

[31] The *Chronicle*, Mar. 15, 1890, p. 391.
[32] *Poor's Railroad Manual*, 1915, p. 1921.
[33] 1853, p. 370.
[34] The *Chronicle*, July 16, 1870, p. 77.

ties of political conditions in the old world induced capitalists to make seemingly safer investments in the new. "Besides greater safety," adds the *Journal*, "the high rate of interest, 8 to 10 per cent, offered another attraction." But in 1856 several leading banking houses of Frankfort had formed themselves into an association for obtaining and diffusing information among German holders of American railway bonds and shares, and for commencing legal action against some roads that had defaulted on their bonds.[35]

The Germans, like the Dutch, were interested in the promising land grant railroads of the West. "The Pacific railroad bonds appear to be regarded in Germany as a sort of semi-government security," said the *Chronicle* in January 1870. The writer added that there was regular trading in these bonds on the Frankfort bourse. He estimated that about 5 million dollars of Central Pacific bonds were held in Germany, while an additional half million had been purchased a few days earlier, which had carried the price up from 91 to 95.[36] Two months later, the Michigan Peninsular sold its 7 per cent mortgage bonds in Frankfort to a total of 1.7 million dollars (at a price of 70⅜); and the Chicago and Southwestern 7 per cent loan of 2.5 million dollars was oversubscribed.[37] A London dispatch reported also that the Georgia, Brunswick and Albany was trying to dispose of 1 million dollars of its 6 per cent mortgage bonds, state guaranteed, at 77. "Nothing would be looked at without a state guarantee," said the dispatch, "and even in such case the chance is greatly affected, as the new Erie abomination . . . must extinguish the last spark of con-

[35] *American Railroad Journal*, 1856, p. 458.
[36] The *Chronicle*, Jan. 29, 1870, p. 142.
[37] The same, Mar. 26, 1870, p. 393.

fidence."[38] A month later, Jay Cooke's agents were beginning their German campaign for funds for the Northern Pacific.

The early seventies were difficult years in the United States and many bonds held in Germany were among those in default. A resident of Germany was appointed to the board of directors of the Sioux City and St. Paul in 1874, and another to the Flushing, North Shore and Central, to protect German interests in those roads. On the whole, it appears that the Germans did not fare badly during this period, however. On a 6.5 million dollar Kansas Pacific loan issued in 1869, for example, their interest coupons were funded during a few years when the road was unable to pay in cash, and in 1879 all of their holdings of these bonds were re-sold in the American market at par—as compared with 96 at the time of issue.[39] It is said that in the seventies German investors also sold a considerable portion of their holdings to the British—at prices about 50 per cent above those they had originally paid.[40] In part, this liquidation was for the

[38] The same, Mar. 5, 1870, p. 298. Some of the other roads obtaining financial assistance in Germany are listed below, arranged by the years their issues were floated.

1860—Chicago, Burlington and Quincy
1869—Kansas Pacific
St. Joseph and Denver City (Eastern Division)
1870—Kansas Pacific
St. Joseph and Denver City (Western Division)
Port Royal and Augusta
1871—Davenport and St. Paul
1876—Denver, South Park and Pacific
1888—Union Pacific
1889—San Francisco and Northern Pacific
1900—Southern Pacific
1904—Central Pacific
1906—Southern Pacific
1908—Denver and Rio Grande
1910—St. Louis and San Francisco
1912—Denver and Rio Grande

[39] These are the 7 per cent "Denver extension" bonds mentioned by Clews, *Twenty-Eight Years in Wall Street*, p. 429, of which English as well as German holdings were brought back to the United States. Also mentioned by Corey, *The House of Morgan*, p. 88.

[40] Jenks, *Migration of British Capital*, p. 281.

purpose of financing the war with France; at a later stage, it was directed by political ambitions. The Germans were shifting into Russian bonds; the British were taking their investments out of Russia.

Among the German ventures hard hit by the panic of 1873 were some that Jay Cooke had helped finance: the Oregon Steamship Company, the Oregon Navigation Company, and companies owning the short railroads around the rapids of the Columbia River. German investors, who held most of the bonds of these companies, banded together to send Henry Villard to America to look after their interests. Intrigued by the possibilities offered by the West, Villard little by little began to acquire control of the companies he had come to investigate. By 1879 he had managed the consolidation of several of them, forming the new Oregon Railroad and Navigation Company, of which he became president. He had also made himself president of the Oregon and California Railroad, later taken over by the Southern Pacific, and in 1881, after sensational maneuvers in the markets, had gained control of the Northern Pacific.[41]

In these reorganizations, the German bondholders were not squeezed out, for a study made of German investments here in 1899 showed holdings of Northern Pacific securities estimated at 20 to 25 million dollars,

[41] Riegel, *The Story of Western Railroads*, p. 203; Ellis P. Oberholtzer, *A History of the United States since the Civil War*, Vol. II (1922), p. 555; *Poor's Manuals*. Villard had first come to America in 1853, where he was later employed by Cooke in getting immigrants for the Northwest. After Cooke's failure he made a visit to Germany, and while there, contracted to handle the financial affairs of his former countrymen.

The Oregon and California Railroad by 1873 had sold 11 million dollars worth of bonds, most of them in Germany. In 1883, following reorganization, the road's vice president was a resident of London, England; its registrars were an American, a German, and a London bank.

in the Southern Pacific at 15 to 17 millions, in the Oregon Railroad and Navigation Company at 1 to 2 million dollars. In all, Germany then had holdings of considerable amounts in eighteen American railways, most of them in the West or Middle West. These aggregated not less than 103 million dollars in 1899, and three or four times that figure at the time their liquidation was begun to help provide Germany with funds for the World War.

### THE FRENCH EXPERIENCE

French investments in American rails were negligible, whether in comparison with like investments of other countries or with the aggregate of French capital abroad. The government, controlling the new issues to be quoted on the bourse, turned the savings of the French people to Russia, Turkey, and other countries where the French had political alliances or economic interests. During the fifties, according to the *American Railroad Journal*, there was some buying of American rails for French account, the purchasers sending their agents to America to examine the projects under consideration, and buying existing securities.[42] But until the twentieth century was in its third year, there were very few loans for American rails negotiated in Paris. In part this undoubtedly was a result of the fraudulent sale of Memphis, El Paso and Pacific bonds in that market in 1869.

Representatives of this company advertised widely in the newspapers of Paris, and placarded the city with their offers of bonds. They described the road as a great transcontinental line which connected at Chattanooga with practically all the railroads running west from the Atlantic coast, with a subvention from Congress similar

[42] 1851, p. 792; 1852, p. 418.

to those made to the Union Pacific and Central Pacific. They gained the privilege of quoting the bonds on the Paris Bourse and sold something like 5 million dollars of them to the prominent Paris banking house of Paradis. As a matter of fact, the road was attempting to get a subvention from Congress but at the time had no assurance of success. Its assets consisted of three miles of track, a little machinery, and some Texas land to which title was in doubt because of lapse of time and non-performance of contract. The fraud was uncovered at a reasonably early day by Americans in Paris and London, but too late to prevent French losses.

Involved in the scandal was General John C. Frémont, who a year before had been candidate for President of the United States. When the irate French tried to bring Frémont to trial in New York he fled. Action was then brought against him in the French courts where he was convicted and sentenced *in absentia*, and the case widely advertised. Thus ended the career of the road, the General, and the faith of French investors. When Jay Cooke took his Northern Pacific bonds to Europe in 1870, the Frémont scandal was at its height, and Paris would have none of them.[43] And not until after the turn of the century were the French again interested in any substantial way in American railway securities.

Late in 1903, following the organization of the French Finance Corporation in New York, Paris became active in financing American railways. Many of the loans handled there in the decade preceding the World War

[43] The documents covering the case of the Memphis, El Paso and Pacific Railroad—sometimes referred to as the Transcontinental Pacific—are printed as 41 Cong. 2 sess., S. misc. doc. 96 (Mar. 25, 1870) and 121 (Apr. 22, 1870), and S. ex. doc. 56 (Mar. 10, 1870). The story is summarized by Oberholtzer, *History of the United States*, Vol. II, pp. 553-54. Certain additional information is given in Oberholtzer, *Jay Cooke*, Vol. II, pp. 103, 151, 402.

were unusually large. The Pennsylvania Railroad borrowed 48¼ million dollars from Paris in 1906—due in 1921, but actually repaid two years earlier. The following year the New York, New Haven and Hartford obtained almost 28 million dollars through Paris, a loan that was in default in 1915, and was paid off in 1925, about three years after the original due date. The same year the St. Louis and San Francisco obtained about 17 million dollars from Paris; and in 1910 the French took 5 million dollars of a European loan issued for the same road—which defaulted all interest charges in 1913.

In 1911, the Central Pacific obtained more than 48 million dollars from Europe, principally through the agency of Paris, a loan that was largely bought up and brought back to the States during and soon after the War, thus helping to furnish the dollar exchange then urgently required. There was also a fortunate loan of $1,930,000 to the New York Central and Hudson River, on a one-year note in 1913, that was repaid in gold shortly after the outbreak of the War.

## CHAPTER III

# GOVERNMENTAL ISSUES SOLD ABROAD (1846-1914)

During the twenties and thirties of the ninteenth century, most of the states and some municipalities had borrowed abroad to obtain funds for internal development projects, thereby mortgaging their credit so heavily that many of them were unable to maintain payments on their obligations during the depression that followed the panic of 1837. The resulting repudiations and readjustments of the early forties represented a loss to foreigners of about 10 per cent of their former aggregate holdings of American state and municipal securities. For more than a decade thereafter, while foreign investments in American railways were increasing, the debts of the states were being scaled down—in spite of new loans contracted by some of them. Thus in 1853 the foreign debts of the states and cities were put at 127 million dollars, as compared with 150 millions owed abroad in 1843.[1] Of this reduction of 23 million dollars, approximately 15 millions represented the aggregate amount of the repudiated bonds held abroad, and 7 or 8 millions represented a net repayment of debts.

The country had been pronounced "one vast swindling shop from Maine to Florida." Yet the close of the Civil War found Europe once more interested in a large way in American government securities—national, state, and municipal. The outcome was further losses to holders of the state debts, and thereafter the states seldom appeared in foreign markets as borrowers of large

[1] Further details are given on pp. 520 and 521 below.

amounts of capital. Some American cities have sold their bonds in Europe, but in general the amounts have not bulked large in foreign portfolios. The national government was forced to seek European subscriptions to its loan of 1895, designed to protect the country's dwindling gold supply.

### CIVIL WAR BONDS

With the outbreak of the Civil War, the sympathies of the British were clearly with the South, where they bought cotton and sold their manufactures, rather than with the industrial North, which was beginning to assume a competitive position in world trade. Gladstone said in the House of Commons that the reunion of the North and South was unattainable, and that there were no "real or serious grounds for doubt as to the issue of the contest."

The Confederate government's 7 per cent loan of £3,000,000, offered in London in 1863, was subscribed five times over. Issued at 90, the loan soon sold well above this figure. Early in the same year, it was urged upon Jay Cooke, the financier handling the sale of bonds for the Union, that it would be desirable and easy to dispose of some northern bonds abroad. Cooke's reply was: ". . . we are free from foreign debt now. I count it one of the many blessings to offset the miseries of this war. I do not think it for the interest of our country that our debt should go abroad."[2] Disregarding Cooke's attitude, Secretary of the Treasury Chase did sell one lot of 10 million dollars in New York for German account. He sent another 10 million dollars to Baring Brothers, as a basis for bank loans to the government, but terms were not agreed upon and 6 million dollars were re-

[2] Ellis P. Oberholtzer, *Jay Cooke* (1907), Vol. I, p. 287.

turned to him. The other 4 millions were held by Barings until sold through Cooke some two year later.[3]

In October 1863, it was reported that a "ring" of three or four responsible Germans wanted to buy about 100 million dollars of the northern bonds, but nothing came of this. Near the end of the year requests came from England for some of the bonds. The American Minister, Charles Francis Adams, and friends of the Union, such as Cobden and Bright, argued that British antagonism would be curbed if some of the bonds were in England. A 10 thousand dollar lot was sold to Bright, and a small amount of money was allotted for advertising in British newspapers. But Cooke maintained his original position against loans abroad, and the success of his selling campaign at home discouraged further efforts for selling abroad.

The victories of the northern armies at Gettysburg and Vicksburg strongly recommended the Union bonds to European investors, even though no foreign house had a share in issuing them. It was estimated in March 1865 that not less than 250 million dollars of the bonds were held in Germany and Holland, and an additional 70 millions in other European countries.[4] News that slavery had been abolished by the adoption of a constitutional amendment was greeted with great enthusiasm, particularly in Germany and Holland, and the price of northern bonds was bid up 8 to 10 per cent above

[3] The same, pp. 525-27. Chase sent Robert J. Walker to Europe to publicize the northern cause, and two agents to sell northern bonds. Neither France nor England would take the bonds, but in Germany "the great masses of the people took several hundred millions" of them. Albert S. Bolles, *Financial History of the United States* (1886), Vol. III, pp. 327-28; Amos E. Taylor, "Walker's Financial Mission to London," *Journal of Economic and Business History*, February 1931, pp. 296-320.

[4] Oberholtzer, *Jay Cooke*, Vol. I, p. 514.

New York quotations.[5] Caught with an inadequate supply, foreign bankers sold for delivery at a future date.[6]

When a portion of these loans was refunded in 1871, holders were given a choice between receiving bonds of the new issue, or taking payment in coin at par. A large syndicate of European bankers handled the exchange and retirement of bonds in England and on the Continent.[7] Another refunding operation followed in 1873, the new issue being priced at 102⅜ in foreign markets.[8] Still other refunding operations were carried through in 1876, 1877, 1878, 1879, and later.

Of the bonds brought home from Europe in 1873, a portion was bought with the reparation payment of 15.5 million dollars in gold assessed against the British by the commission arbitrating claims presented by the United States government for depredations committed by the *Alabama* and other southern cruisers, which the British had built, outfitted, and given aid of various kinds during the war.[9] At one time during the negotiations preliminary to this award, English holders of Con-

[5] The London price, quoted in *gold*, ranged from 44 to 55 in 1864 and from 46 to 82½ in 1865 (*Fenn on the Funds*, 1883, p. 635). According to Joseph G. Martin, *History of the Boston Stock and Money Markets* (1898), p. 178, the price dropped as low as 38½ at one time in 1864.

[6] Oberholtzer, *Jay Cooke*, Vol I, p. 515.

[7] The same, Vol. II, pp. 277-84.

[8] Hyde Clarke, "Debts of Sovereign and Quasi-Sovereign States," *Journal of the Royal Statistical Society*, June 1878, p. 318.

[9] Oberholtzer, *Jay Cooke*, Vol. II, p. 377; Oberholtzer, *A History of the United States since the Civil War*, Vol. II (1922), pp. 403-73. The sum of $1,929,819 was paid by the United States treasury to the British the same year, in accordance with the award of another mixed commission appointed to arbitrate British claims against the United States for injuries and damages to British subjects during the Civil War. In accordance with the findings of a third commission, not reached until late in 1877, the United States paid the British 5.5 million dollars gold in 1878 in settlement of claims growing out of difficulties over the use of the fisheries on the British North American coast.

federate bonds were led to hope that they might be able to collect from the United States government for the loan they had made to the South. Thereupon, quotations for these bonds increased in London from near the zero level to a price of ten.[10] This was, of course, a vain hope, the bonds being entirely ignored in the arrangements reached between the two countries.[11]

The foreign refinancing of these years was handled largely in Great Britain, now in possession of the greater part of the foreign-owned bonds. With the unexpected outcome of the war, demand for the bonds developed in Great Britain, and thus a market was provided for them when German holders found it necessary to liquidate in order to help finance the war with France.[12] In the meantime, in spite of arguments to the contrary, it had been established that the bonds were redeemable in gold and this point in their favor had been strengthened by the resumption of specie payments. From an average of 49.5 cents in 1865, the gold value of the dollar recovered to an average of 89.4 cents in 1872, and finally to par in January 1879.[13] Soon afterwards the price of American government bonds passed par and began selling at a premium in London.[14] Foreign investors thus

[10] Oberholtzer, *History of the United States*, Vol. II, p. 428.

[11] In 1881, there was a final short-lived speculation in the Confederate Cotton Loan bonds in London, based on a groundless report that the Bank of England held some funds formerly belonging to the Confederacy (*Fenn on the Funds*, 1883, p. 661). This loan had also been offered in Paris and Amsterdam, but the greater part of it appears to have been taken in London.

[12] After the Franco-Prussian War, the German government invested a considerable sum in American government loans, out of the French indemnity payments. *Fenn on the Funds*, 1883, p. 629.

[13] Davis R. Dewey, *Financial History of the United States*, 1931 ed., pp. 340-42, 344-49, 352-56. Dewey holds that most of the bonds in foreign hands were bought after the close of the war.

[14] *Fenn on the Funds*, 1883, pp. 634-35. Highs and lows are given for the eighteen years 1864-81.

held bonds selling well above par, for which some of them had paid as little as 44 a few years earlier—a neat profit to offset foreign losses on other accounts.

### DEBT REPUDIATION IN THE SOUTH[15]

In southern states, the close of the war was followed by a period of political and economic chaos. The labor problem was extremely difficult, and adjustments to the new situation were made slowly. Reconstruction, as it was administered, was generally demoralizing. The carpetbaggers, scalawags, and recently freed slaves were in control of and pillaged state treasuries, contracting new state debts at home and abroad. Railroads, canals, levees, and other private enterprises were voted subsidies, exemptions, grants, and endorsements of various kinds.

Georgia, in 1870, was borrowing in London and Frankfort. Her debt at the end of the year was 20 million dollars greater than it had been a few years earlier, and additional finance bills had been approved by the governor. Within a few years, this state endorsed the bonds of 37 railroads, all of them soon in the hands of receivers.

North Carolina authorized the issue of about 28 million dollars of state bonds—of which almost 18 millions were issued—for the construction of a system of railways, not a mile of which was laid.

South Carolina, with a debt of $6,814,000 at the

[15] This section is based on William A. Scott, *The Repudiation of State Debts* (1893); Reginald C. McGrane, *Foreign Bondholders and American State Debts* (1935); Frederick A. Cleveland and Fred Wilbur Powell, *Railroad Promotion and Capitalization in the United States* (1909), Chaps. XIII and XIV; Oberholtzer, *History of the United States*, Vol. II, pp. 327-35; Clarke, *Journal of the Royal Statistical Society*, June 1878, pp. 316-17; *Poor's Railroad Manual*, 1880, pp. 1048-58; and various numbers of the *Commercial and Financial Chronicle.*

close of the war, had liabilities of \$28,998,000 in 1871, including contingent railway debt.

Florida, in January 1872, had a debt of more than 5 million dollars, as compared with only 600 thousand dollars in 1866.

Louisiana, in 1874, had a debt of a little more than 50 million dollars, including contingent liabilities, as compared with 22.6 millions at the close of the fiscal year 1870; and with 11.2 millions at the close of the war, and 10.1 millions at its beginning.

Alabama, having struggled through the depression of 1837 and the difficult years thereafter without default, emerged from the Civil War with a debt of only \$3,445,000, of which \$1,336,000 was held in London. Payment of this debt was beyond her capacity in 1865, however, and she stopped interest payment soon after the close of the war.[16] Within the year a new loan was negotiated, followed shortly by others at home and abroad. An 8 per cent Alabama loan for £1,044,000 was publicly issued in London in 1869 at 81, and the following year a state loan of £400,000, also at 8 per cent, was issued for the Alabama and Chattanooga Railway at 94½. By 1873 the debt was about seven times what it had been in 1865.

As the debts mounted in the several states, taxes were increased. The rate of taxation in North Carolina in 1872 was five times what it had been a few years earlier. The amount actually collected for all purposes in Louisiana in 1871 was three times the comparable figure for 1868. Similar tax increases prevailed in other southern states.[17] Nevertheless, their income was considerably

[16] On the portion payable in New York payment had been stopped in 1861.

[17] Mississippi, unable to borrow because of her repudiation in the early forties, was imposing taxes eight and one-half times those levied in 1869.

below their requirements. By 1873, ten of the southern states were in default on their debt services: Alabama, Arkansas, Florida,[18] Georgia, Louisiana, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.[19]

During 1873 Florida's courts ruled her recently contracted railway aid bonds to be unconstitutional and thereafter the state ignored them. The following year, Louisiana repudiated about half her debt and offered to refund the rest with a new 7 per cent issue, giving 60 cents in new bonds for a dollar of the old. British bondholders refused to accept these terms. A year later, however, the state was unable to pay full interest on the new bonds. In 1879 the interest rate was drastically cut and again the bondholders resisted. In 1884, a majority of the latter finally agreed to accept a reduction in the interest rate to 2 per cent annually for five years, and 4 per cent thereafter.

North Carolina repudiated in toto a little more than 12.8 million dollars—principal and accumulated interest—of her debt. A small portion, payable in Confederate currency, was also obliterated. The rest was refunded at from 15 to 40 cents on the dollar, final arrangements with the creditors being reached in 1878.

In a suit brought in 1877, the Arkansas courts declared certain of that state's bonds to be unconstitutional, and therefore null and void. Two years later, resolu-

[18] Florida, having repudiated her territorial debts in 1840, was now in default on obligations created since her admission to statehood, the greater part of them incurred since the Civil War.

[19] One northern state, Minnesota, was also in default—since 1859. An amendment to the Minnesota Constitution in 1858 permitted the loan of the state's credit to railways. Shortly thereafter the railways concerned defaulted on their bonds. Their property was turned back to the state, and the bondholders turned to the state for payment. The matter was settled in 1881 by the issue of new state bonds.

tions passed both houses calling for the repudiation of others. Finally, in 1884, about 12 to 13 million dollars of debt—principal and accumulated interest—were repudiated, and responsibility was acknowledged for some 4.9 millions that remained.

The Tennessee debt reached a peak in 1870 when it stood at 43.1 million dollars, including a liability of 27.7 million dollars incurred for the railways. Thereafter, it was rapidly scaled down, the railways taking up their own bonds (from the state) in exchange for state bonds which they were able to buy in the market at 65 cents on the dollar. The remaining railway debt was refunded in 1874. The state debt proper, after the principal amount had been scaled down about 50 per cent and interest cut, was refunded in 1882.

By 1883, seven of the eleven defaulting states had made arrangements with regard to their debts—by resumption of payment, by scaling down and refunding, or by outright repudiation. Final adjustment of the Arkansas and Louisiana debts was reached in 1884. Virginia and West Virginia, because of dissension regarding their respective shares of the debt incurred by the original state of Virginia, were a long time in completing their arrangements. Virginia's settlement was finally arranged in 1890, and the approval of English bondholders secured near the end of the year.[20] Agreement regarding the West Virginia portion of the debt was not reached until February 1919.

In the aggregate, the "arrangements" of the several states represented a repudiation of about 70 to 80 million dollars, barring accumulated interest; only three of

[20] The whole controversy is outlined in Hastings Lyon, *Investment* (1926), pp. 116-18. The terms and history of the Virginia settlement are given in the *Chronicle*, June 28, 1890, pp. 906-10; and the arrangement with English bondholders in the same, Dec. 20, 1890, p. 877.

the southern states (Tennessee, Virginia, and West Virginia) having resumed payment without any outright repudiation.[21] The additional reduction accomplished by the scaling down and refunding of principal amounted to not less than 55 millions, and probably was much more than this.[22]

European speculators and investors held a considerable share of the defaulted bonds. How much their original claims amounted to is not a matter of record. Their losses were, however, considerably less than the face value of their aggregate holdings of repudiated bonds, for they had bought a great part of the bonds far below par. For example, some $16,240,000 issued by North Carolina after 1868—or almost half the debt of that state—were sold at prices ranging from 10 to 30 cents on the dollar. While these bonds were repudiated in full by the state, the aggregate loss thus incurred, calculated in terms of their original prices, was probably around 3 million dollars, and those who had bought bonds at 10 cents on the dollar could not reasonably plead that they had not been warned of the speculative nature of their purchases. Some issues were sold at much higher prices: an Alabama 8 per cent loan of 2 million dollars, for example, was priced to the public in 1870 at 94.5—though what the state actually received we do not know.

With this experience the foreign borrowing of the states was practically at an end. Said Henry C. Adams, writing in 1887: ". . . at the present time, they [the

[21] Concerning resumption by Minnesota see footnote on p. 59.

[22] It is difficult to give precision to these figures. The states themselves, at the time debt negotiations were under way, were not at all certain regarding the precise amount of various classes of their debts, nor of their total liabilities. Also, the figures given by McGrane differ in most cases from those reported by Scott.

states] possess no financial standing. They never appear upon the market as borrowers of large amounts of capital, for their administrative activity has been so restricted as to render this unnecessary."[23] In the *Report of the American Dollar Securities Committee* only one state loan is to be found, 37 thousand dollars of a New York state issue of 1897.

This situation was beginning to change in the years following the World War. In 1922 the aggregate bonded debt of the several states was 936 million dollars, as compared with 199 millions in 1842. By 1932 the figure had grown to 2,361 millions, largely as a result of the great increase in road building.[24]

The Corporation of British Bondholders carries in its annual publication a figure of 60 million dollars as the amount due from the states defaulting in the forties and the seventies. This represents the estimated face value of the bonds held abroad plus accumulated interest. Any hopes of the ultimate collection of this debt, or any portion of it, were dashed by a unanimous decision of the Supreme Court of the United States, May 21, 1934. Citizens of Monaco holding Mississippi bonds repudiated in 1841 turned those bonds over to their government, and in December 1933 the Principality applied to the Supreme Court of the United States for permission to bring suit against Mississippi for principal and interest on the debt. The Court upheld the doctrine set forth by Madison in 1787 that no controversy "can ever be decided in these courts between an American state and a foreign state, without the consent of the parties." Thus in the first suit of the kind brought by a foreign state,

[23] *Public Debts* (1893 reprint), p. 303.

[24] *Financial Statistics of State and Local Governments*, Decennial Census 1932, p. 62. The figure represents gross debts less sinking fund assets.

it was established that the American states like foreign states enjoy "sovereign immunity" from suit unless their consent is given.[25]

### LOCAL GOVERNMENT BONDS

The generally good debt record of American local governments, as distinguished from state governments, was marred during the seventies and eighties by a period of unrestrained delinquencies, when the defaulted liabilities of cities, counties, townships, and school districts exceeded those of the delinquent states. Most of such debt had been incurred for aid to the railways. Duluth, Keokuk, and McGregor in Iowa; Quincy and Cairo in Illinois; St. Joseph and Cape Girardeau in Missouri; Leavenworth, Lawrence, and Topeka in Kansas; Nebraska City in Nebraska; Little Rock and Helena in Arkansas; Memphis in Tennessee; New Orleans and Shreveport in Louisiana; Houston in Texas; and Mobile in Alabama, all were in default.[26] Such delinquent municipalities were also to be found farther east "almost within sight of the steeples of New York City."

Creditors of these lesser governmental units had recourse to the courts, since these debtors did not have the attribute of immunity enjoyed by the "sovereign states." Collection of the debts was far from assured, however, for many local governments at that time showed a disposition to escape their pecuniary obligations at all hazards. A Kansas county, threatened with a bond suit, elected its officials on the understanding that they were to stay in hiding during their term of office, transacting

[25] The *New York Times*, 1934, May 22, p. 5, col. 2; May 23, p. 18, col. 2; and May 27, Sec. IX, p. 3, col. 4.

[26] John F. Hume, *North American Review*, 1884, p. 131. In the depression years 1932-36 there has been another large outcropping of municipal defaults. A. M. Hillhouse, *Municipal Bonds* (1936), pp. 17-30.

official business at the county seat only at night. The officials of a Missouri county set pickets to guard their meetings against the service of writs issued by bondholders. Memphis, Tennessee, had its city charter repealed to escape its debts. Duluth carved out of its corporate territory the new "village of Duluth" that included all of the *settlement*, while the city and its liabilities were left outside.[27]

Some cases that were taken to the courts were in litigation for periods of thirty to forty years or more, at great cost to the debtors and little profit to the creditors. That foreigners held some of these worthless bonds and also some of those that were defaulted in the nineties is practically certain. Even the most unlikely issues sometimes were taken abroad. For example, the English holder of two $500 bonds issued in 1890 by a little town in Kansas recently wrote for information to the attorney-general of the state. The bonds were worthless, and the town a "ghost."[28] There is no record, however, showing the extent of foreign losses in the seventies or later.

The period of defaults referred to above was the outstanding exception to the rule. In the main the bonds of American local governments have proved very safe investments. In fact many of them are eligible for purchase by savings banks, trust companies, and insurance companies, a feature that has raised their price at home and made them less likely to go abroad. The loans issued abroad have generally been for those older municipalities favorably known to European investors.

In the sixties and seventies Boston borrowed in Lon-

[27] The same, pp. 132-33; also, Lyon, *Investment*, pp. 130-33. On some of Hume's statements, see Hillhouse, *Municipal Bonds*, p. 176.

[28] *Wall Street Journal*, Jan. 4, 1937; Hillhouse, *Municipal Bonds*, pp. 180-86.

don, for street improvements and for a water system. Three such loans were sold through Barings from January 1870 to May 1873 at prices ranging from 87 to 97½.

Providence in the seventies and eighties built her city hall, sewers, and water system partly with English money. In 1875 the town sold a twenty-year loan of £287,500 in London at 90.

St. Louis went to London many times for help in funding her floating public debt and for her street lighting and water system. Three 6 per cent loans were issued in London in 1874 and 1875 at prices ranging from 85 to 96½. Borrowing by this city extended through the sixties, seventies, and eighties, and a 2 million dollar issue of 4 per cent improvement gold bonds was sold in London in 1910.

New York, the most prodigal of borrowers, issued many loans in London. The London Rothschilds handled a 15 million dollar loan in 1872 for which the issue price was about 92 in terms of gold. Three years later another loan for a little more than 1.5 millions was sold in London at 97.7 in currency, the paper dollar then being at a slight discount.[29] In the early part of the twentieth century the city was a regular borrower abroad, selling one or more issues in foreign markets every year from 1907 until shortly after the outbreak of the World War.

Compared with other types of American securities, these bonds have made up only a small part of foreign holdings. In 1853 only 16.4 million dollars of city bonds and 5 million dollars of county bonds were held abroad. The amount was approximately the same a

[29] Data regarding the individual municipal loans mentioned above are from *Fenn on the Funds*, 1883, pp. 651-58.

decade earlier. In 1869, municipal bonds abroad were estimated at 7.5 million dollars.[30] During the World War the American Dollar Committee accounted for only 8.9 million dollars of municipal securities in British possession, though some had been liquidated earlier and some were not taken over by the Committee. New York City alone repaid more than 80 million dollars due in London and Paris during the last four months of 1914.

### A FOREIGN LOAN TO PROTECT OUR GOLD: 1895

The national government turned to Europe for a loan in 1895, for the purpose of helping preserve the gold-standard—re-established only a little more than a decade and a half earlier. The country had been losing gold to Europe during the panic year 1893 and also in 1894 when business morale was still low. In part, at least, this gold had been taken by European investors who had thrown their American securities back upon American markets.

To restore the treasury's gold reserve, a 4 per cent bond issue was arranged by a syndicate of bankers. They were headed by J. P. Morgan & Co. and August Belmont & Co., the latter representing the English house of Rothschild. It was agreed that they should make payment in gold, and do all in their power to protect the gold supply of the United States. The entire issue amounted to $62,315,400 which, at the price of 104½ paid by the bankers, brought the treasury $65,116,244 in gold.

Offered to the public at 112, the bonds soon rose to 118, and even as high as 123, affording unusually large profits to the syndicate. Existing United States 4 per

[30] Further details are given in App. B, p. 523.

cents, with less than half as long to run, were bringing 111 on the market. These were 30-year 4 per cent bonds. The terms of the sale were thus "excellent from the bankers' point of view." The bonds were oversubscribed six times in New York; and for the half of the loan placed in London, subscriptions were more than ten times the amount offered.[31]

At the outbreak of the World War, these bonds still had more than ten years to run, but only 304 thousand dollars, market value, were reported to have been turned over to the American Dollar Securities Committee. A large part of the remaining 30 millions or more originally taken abroad had probably already drifted back to the States. Whether some were still in foreign portfolios at the end of the War, and whether there were some brought back by Morgan and other bankers, in addition to those included in the Dollar Committee *Report*, we do not know.[32]

[31] Alexander D. Noyes, *Forty Years of American Finance* (1909), pp. 231-50; Lewis Corey, *The House of Morgan* (1930), pp. 186-91.

[32] In addition the Dollar Committee reported 129 thousand dollars of a 3 per cent federal government issue due in 1918; and 3 thousand dollars of a 2 per cent issue due in 1930.

# CHAPTER IV

# FOREIGN FUNDS IN AMERICAN INDUSTRY[1] (1846-1914)

Many small industrial, commercial, and public utility enterprises were established in America at an early date; and in some of these, foreign capital participated. However, it was not until the development of large-scale industry was well under way—in the middle of the nineteenth century and later—that foreign investors made any considerable purchases of the securities issued by American companies other than railways. In fact, throughout the pre-war period, foreign investors still maintained a marked preference for the securities issued by the railways.

The task of developing the resources of the new world with the limited labor force available was challenging to inventive genius; and therefore helped produce a growing number of new inventions and new industries—particularly in America. "I apprehend," said a report read before the House of Commons in 1841, "that a majority of the really new inventions, that is, new ideas altogether in the carrying out of a certain process by machinery, or in a new mode, have originated abroad, especially in America."[2] American agricultural machinery at the World's Fair in London in 1851, and four years later at Paris, was hailed as the beginning of "a new era in agriculture."[3]

[1] Much of the material used in this chapter is drawn from reports summarized in App. B, pp. 527-56 and from a considerable number of *Commercial and Financial Chronicle* references.

[2] Ernest L. Bogart, *Economic History of the United States* (1910), p. 159.

[3] The same, p. 239.

New resources, new techniques, new inventions were bringing changes in various lines of production as revolutionary as those the railways were effecting in transportation. The rapid increase in population in the new agricultural regions of the Mississippi Valley, in the new mining districts of the West, and in towns and cities throughout the country furnished an expanding domestic market for the increased volume of goods produced. Improvements in transportation and communication facilitated the marketing process.

The very diversity of these industries, the small size of most of the firms, and the prevalence of the individual and partnership types of business organization all served to discourage foreign participation in American enterprise. The advent of the industrial corporation marked the beginning of large-scale industry and eventually was instrumental in drawing foreign capital into outstanding American undertakings of various kinds.

The corporate form of enterprise was not a new institution in the nineteenth century. It had been developed in England before the discovery of America and had figured largely in the exploration and settlement of the new world. Originally it had been confined to undertakings supposed to involve some special public interest, such as the trading companies of the seventeenth and eighteenth centuries, banking and insurance corporations, and later, the canals, turnpikes, and railways. In manufacturing, however, the corporation was almost unknown until the early part of the nineteenth century when New England textile manufacturers began to petition their state legislatures for charters.

During the early part of the nineteenth century and in preceding years, each charter granted had required a special act of the legislative body concerned. There

was thus no uniformity in the rights given to different companies. Moreover, such special legislation was expensive, and was certain to be opposed by possible competitors.

The state of New York was one of the pioneers in enacting a general corporation law. Its first law of this sort, passed in 1811, applied only to manufacturing,[4] but in the late forties a number of others were passed that applied to corporations organized for various purposes. Connecticut passed a general incorporation law in 1837, and by 1850 such laws were on the books of a score of states. These were somewhat more limited in scope, however, than the British Companies Act of 1862, which was soon taken as a model for similar legislation in the several states of the United States as well as in many other countries. These laws simplified the chartering process and minimized the granting of special privileges to favored companies.

The outstanding advantage gained by the corporate form of organization is limited liability: in short, owners of corporate shares can never be required to shoulder more than a certain pre-determined portion of the company's liabilities, the limit usually being the amount they have invested—if shares are "fully paid and issued."[5] Individual members of a partnership, on the other hand, may be called upon to meet the debts of their firm to the full extent of their means. Of scarcely less importance is the fact that the ownership of a corporation, and also its funded debt, is divided into convenient "shares" and

[4] This act provided that the capital stock should not exceed $100,000 and that the individual liability of shareholders should be limited to their respective shares of stock. The Irish Parliament had passed similar legislation in 1782.

[5] The well-known exception is the double liability imposed on the holders of national bank shares.

"bonds" that are readily transferable. Like limited liability, this reduces the risks borne by those who participate in the financing of industry; a factor that in turn serves to popularize corporate shares and bonds and make possible the aggregation of small savings into the great amounts of capital required for modern large-scale industry.

The consolidations and combinations of business enterprise already under way at the time of the Civil War brought into existence some of the large-scale units whose securities are well known in important financial markets outside the United States. Some of the earliest to emerge were the large communication companies. The magnetic telegraph, on whose invention Morse had been at work since 1832, was patented in 1835; and in 1844, after much skepticism on the part of Congress and the public, was put into practical operation. Seven years later there were more than fifty short-line companies in operation in the United States. By 1856 a number of these had been brought together to form the Western Union Telegraph Company, with a special charter from the New York state legislature, and by 1861 this company had built the first line to the Pacific Coast. Gradually through purchase, lease, or stock ownership of 538 telegraph and cable corporations and properties, and by constructing new lines, Western Union had become the most comprehensive telegraph system in the world. At an early date the company was selling its bonds in the London market evidenced by the fact that the greater part of the proceeds of a 5.2 million dollar issue sold there in 1875 was used to pay off an earlier issue maturing that year.[6] In the liquidation of American securities handled during the World War it was found that at

[6] The *Chronicle*, Mar. 6, 1875, pp. 233, 236.

least 2 million dollars of its stock and 1.5 millions of bonds were held in that market.

The first transatlantic cable was laid in 1857; the first full sentence of speech was sent over a telephone wire in 1876. Here was the beginning of the great Bell System. In 1885 came the incorporation of the parent organization, the American Telephone and Telegraph Company, whose securities had been listed in London and Amsterdam some time before the World War, and were held by investors in many countries. The Mackay Company organized in 1886 and the New York Telephone Company dating from 1896 also proved favorites in foreign markets. Some securities of the New England Telephone Company and the Keystone Telephone (Philadelphia) also went abroad.

The power and light industry of the United States expanded from an investment in property and plant of 125 million dollars in 1890 to 2.2 billions in 1914, and to 11.0 billions in 1929. Europeans who had long taken some municipal bonds issued to provide funds for water and lighting systems, very soon added some of these new public utility securities to their portfolios. In 1897 the St. Lawrence Power Co., of Massena, New York, recently organized with the cooperation of British capital, placed a 3 million dollar bond issue in London.[7] The securities of American Water Works and Electric, Cities Service, Consolidated Gas and Electric, Great Western Power, Middle West Utilities, Mississippi River Power, and of various other public utilities, were listed in one or more European markets in 1914. Street railway companies were somewhat less popular with foreigners, but there were six companies, each having 1 million dollars or more of securities included in the pre-war portfolios of the British, and two were listed in Amsterdam.

[7] The same, Sept. 4, 1897, p. 413.

About 10 per cent of the American securities put at the disposal of the British government for the protection of the pound during the World War were utility bonds and shares, including those issued by communication companies and street railways. Almost 10 per cent of the American securities quoted in Amsterdam in 1914 were made up of this same group, as were 5 per cent of the enemy-owned holdings taken over by the Alien Property Custodian in 1917.

One of the American industrials best known in Europe before the war was the United States Steel Corporation, organized by J. P. Morgan in 1901, with a capital of 1.4 billion dollars, and with nearly two-thirds of the country's steel capacity. Largest among the ten companies forming this merger was the Carnegie Steel Company, founded twenty years earlier, which during its life-time had set new production records in steel and had been instrumental in giving the United States world supremacy in that line of manufacturing. This unit was already well known in Great Britain, where its founder and largest stockholder had on various occasions obtained financial assistance and was looked upon as more of a Scotchman than an American. The new giant corporation was at first thought to be somewhat of a stock-jobbing affair by the investing public; and government agencies watched it closely for possible violations of the anti-trust laws. But its bonds and shares were considered a good speculation and were taken in Europe as well as at home. At the outbreak of the War 25 per cent of its common and 9 per cent of its preferred shares were held abroad. The company's bonds to an aggregate of not less than 34.6 million dollars were held in Great Britain, with some in other countries.

Eastman Kodak, also a merger of 1901, was another industrial in which European holdings, particularly

British, were large. This corporation at its organization included three foreign subsidiaries—one English, one French, one German—and in 1915 still had one resident of Great Britain among its nine directors. A little more than 1 million dollars of its stock was sold by the British during the War and some 2 million dollars still retained in 1919. The gigantic United Fruit Company, incorporated in 1899, also as a merger, obtained funds in London on several occasions during the five years 1909-14, where some 3 million dollars of its securities were put at the disposal of the British government during the World War.

General Electric shares amounting to at least a half million dollars and bonds of 1¾ millions were held in England and additional amounts in France in 1914. Almost 2 million dollars of Moline Plow Company preferred shares were also held by the British. Of more than a score of other industrials known to have been sold in London prior to the War only a few appear in the Dollar Committee list; and these for less than 1 million dollars each. However, there were some in that list, and in the list of German holdings taken over by the Alien Property Custodian, that had not been originally issued abroad but were bought up in the New York market.[8]

In general, foreign investment in American oil was direct investment, represented by the oil properties owned by British, Dutch, and French oil companies operating in the United States. No Standard Oil securities were listed in Amsterdam, none was included in the report of the American Dollar Committee, though the Alien Property Custodian's list shows 4.5 million dollars (market value) in the enemy portfolios taken over,

[8] United States Steel common and preferred, mentioned above, were issued only in American markets.

and some undoubtedly were held in other European countries. Securities of the Pierce Oil Company, amounting to about 1.5 million dollars, were handled by the Dollar Committee.

American mining companies have never been favorites in foreign markets. The risks involved were too great, and information about the smaller companies too difficult to obtain. Many among them were short lived.

Some were fraudulent. Among the latter, one of the most spectacular ventures in which foreign capital was involved was the diamond hoax of 1872, in which the London Rothschilds were fellow-victims along with many substantial citizens of San Francisco and New York. A reported find of rubies, emeralds, sapphires, and diamonds in Colorado which attracted world-wide attention for a time was eventually exposed to the public as a cleverly managed salting of the "claim" with low-grade stones.[9]

Of those that stayed in existence, too many were like the Dauphin Coal Company of Pennsylvania, described by the *American Railroad Journal* in 1852 as a "Wall Street bubble" that went to London for a loan in preference to New York, where its past history was too well known.[10] Foreigners wishing to have a share in developing America's mineral resources preferred a share of the speculative profits that might accrue therefrom, rather than a fixed rate of interest on loans of a highly speculative character. They preferred to organize and control their own companies, or at least to take a large enough block of shares in an American concern to give them a voice in the management, rather than to risk the flotation of bonds for American-controlled enterprises.

[9] Thomas A. Rickard, *A History of American Mining* (1932), pp. 380-96.

[10] 1852, p. 418.

Exceptions were made—the coal companies under the control of the railways being in good favor since their securities carried the guarantee of the controlling road; while the large size of some enterprises recommended their securities to foreigners. The British had some investments in American mining companies before the middle of the nineteenth century: in the Union Gold Mining Company (incorporated in Virginia), the Pennsylvania Bituminous Coal, Land and Timber Company, the Hazelton (Pennsylvania) Coal Company, and the Lehigh Coal and Mining Company.[11] In 1874 the Lehigh and Wilkes-Barre Coal Company floated a sterling loan. In 1892 the Lehigh Coal Company issued first mortgage bonds of which 6.8 million dollars were sold in London three years later.

The French Rothschilds in 1895 bought a quarter interest in Anaconda, for 7.5 million dollars, exercising an option they had obtained five or six years earlier in connection with a loan to the company when the collapse of the Secretan corner was threatening ruin to the whole industry.[12] Immediately afterward, they transferred the block to the Exploration Co., Ltd.,[13] and during the war, 2.3 million dollars of the stock was turned over to the British treasury—of which 1.3 millions were sold in New York. In 1898 or thereabouts Europeans bought up shares in the Utah Consolidated Mining Company, but lost heavily in the maneuvering involved in the forming of Amalgamated Coppers in 1899 when they sold and bought back much of their

[11] Leland H. Jenks, *The Migration of British Capital to 1875* (1927), p. 361, note 31.

[12] Alex Skelton, in *International Control in the Non-Ferrous Metals* (1937), p. 397.

[13] *London Stock Exchange Official Intelligence*, 1896, p. 1649; *Chronicle*, June 24, 1899, p. 1223.

Utah Consolidated stock. British, German, and French subscriptions to "Coppers," following a selling campaign handled abroad by Leonard Lewisohn, amounted to a total of 90 million dollars, of which 18 millions were allotted and taken up.[14]

The *Report of the American Dollar Securities Committee* indicates that about 13⅓ per cent of the value of American securities held by the British before the War was represented by the issues of industrial companies, this group being interpreted broadly enough to include all American-controlled[15] companies except railways and utilities. In the pre-war Amsterdam market, 24 per cent of the American stocks issued were of this same broad group. Few such issues were definitely known to be in France, but the individual French investor undoubtedly held some of them bought up in outside markets. The German figures that we have may exaggerate the importance of American industrials in the German portfolio, but they indicate that the securities of this group of companies probably were more important among German holdings of American securities than among those held by the British.

[14] Thomas W. Lawson, *Frenzied Finance* (1905), pp. 261, 313, 372. The Utah Consolidated Mining Company is not to be confused with Utah Copper Company, mentioned in Chap. V.

[15] The *Report* includes very few securities of foreign-controlled companies operating in the United States.

## CHAPTER V

# FOREIGN-CONTROLLED ENTERPRISES IN THE UNITED STATES

While the development of America's resources has been largely in the hands of Americans, there have been many enterprises in which the role of entrepreneur or majority stockholder has been taken by foreigners. Important among these have been investments in land (land ownership, land mortgages, and cattle ranches), in mining, oil, breweries, and in a few other industries. The railways have been almost altogether under American control, but even here a majority interest has sometimes been held by foreigners.

In general, foreign enterprises in the United States stand on an equal footing before the law with those under domestic control; but in the field of banking there are exceptions. However, the discriminations that are made refer to the nationality of the charter of the institutions affected, not to the nationality of their control.

### FOREIGN LAND COMPANIES

Foreign ownership in American land began before the colonies declared themselves a separate nation. For the British, the end of the war was the end of their extensive private holdings of land in their former colonies. But almost immediately after the Revolution, land speculators were busy again with their get-rich-quick schemes and through friends in Europe were undertaking to secure the participation of British, Dutch, and French capital. The American Commissioner to France during the war, before leaving that post, undertook to sell "shares" in a company that claimed to hold title

from the Indians to lands later included in the states of Ohio, Indiana, and Illinois; and in 1783 was attempting to find buyers in London. Other companies had other representatives abroad.

In their efforts to dispose of their lands these companies put on selling campaigns that were in a small way not unlike those staged by Jay Cooke for the Northern Pacific bonds almost a century later. They tried to sell large tracts to wealthy Europeans; and they also set up land offices abroad through which they offered smaller parcels to prospective emigrants and settlers. One such American land-agency office was located in Threadneedle Street, London, as early as 1795.

During the last decade of the eighteenth century Robert Morris, who had bought extensively in New York, sent his son and Benjamin Franklin's grandson as his agents to London and Holland to find buyers. In the meantime, the Dutch sent an agent to the United States to buy land. Through these and other agencies the Dutch bought from Morris 3.5 million acres, or about one-seventh of the state of New York. They organized the Holland Land Company which, during an eventful history, sold its land to settlers and New York capitalists and finally in 1836 passed out of existence having retrieved its original investment with some 5 to 6 per cent interest.[1] French and Belgian land companies also bought in the United States in the 1790's, and in 1816 Joseph Bonaparte, former king of Spain, bought 150 thousand acres in northern New York.[2]

[1] The first three paragraphs of this section are based on A. M. Sakolski, *The Great American Land Bubble* (1932), pp. 31-86.

[2] The same, pp. 87, 89, 91. Bonaparte also held land in New Jersey, acquiring title to the New York and New Jersey properties through special acts of the legislatures concerned. *Bonaparte* v. *Camden and*

Speculations in Maine lands were brought to the attention of European capitalists in the early nineties, and when the principals in this venture were at the end of their resources Alexander Baring, founder of the banking house of Baring Brothers of London, came to their aid. By putting a quarter of a million dollars into the enterprise and making a loan of 50 thousand dollars to one of the original group, Baring became a part owner in Maine lands from which he received income for more than half a century.[3] At the time, Baring was in America as an agent for his father, Sir Francis Baring, and for other English capitalists. His firm, then in the making, was one of several through which wealthy Europeans invested part of their surplus in uncultivated lands likely to be carried to higher values as population moved west.[4]

British speculation in Florida lands began while the territory still belonged to Spain, and continued into the twentieth century.[5] In the 1830's West Virginia lands were bought up in considerable tracts, to be held by British owners for resale to immigrants.[6] The dissolution of the Bank of the United States in 1843, and the eventual distribution of its assets among its creditors, must have turned considerable amounts of land over to Europeans.[7] In this way the Spanish Crown came into

*Amboy Railroad*, 1 Baldwin 205 (Circuit Court of United States in New Jersey, October Term 1830).

[3] Edward Channing, *History of the United States*, Vol. IV (1927), Chap. IV, particularly pp. 110-11, also p. 167.

[4] Leland H. Jenks, *The Migration of British Capital to 1875* (1927), p. 66.

[5] Sakolski, *The Great American Land Bubble*, pp. 331-33; U. S. Dept. of Commerce, *The International Balance of Payments of the United States, 1929*, p. 151.

[6] Jenks, *Migration of British Capital*, p. 361, note 31.

[7] In 1818-19, for example, the Bank accepted a great deal of real estate in the "west" in liquidation of debts due; thus coming into possession of a large part of Cincinnati: hotels, coffee houses, warehouses, stores, stables, iron foundries, residences, and vacant lots, besides more

possession of land in Pennsylvania, later of importance in the history of the Atlantic and Great Western Railway.[8] The failure of other banks at about the same time must have thrown many other pieces of land into the hands of European creditors, particularly British.

As the several Pacific railways and other land-grant roads were built in the fifties and later, their promoters turned to Europe to find a market not only for their securities, but also for the land they had received from the government. One of the earliest sales of this kind of which we have a record was made in 1857 by the Dubuque and Pacific. This road contracted to sell 6 million acres in England but when the sale was consummated the amount taken was reduced to 500 thousand acres, later subdivided and settled. In 1881 the Sioux City and St. Paul sold about 40 thousand acres in Osceola County, Iowa, to the Iowa Land Co., Ltd., registered in London the same year. The company bought additional acreage in 1882 and again in 1885, developing it for tenant farming. In 1889 it was taken over by the Trust and Mortgage Co. of Iowa, Ltd.—a British company formed to develop the business of its predecessor—which during the five years 1910-14 paid dividends of 3 to 5 per cent.

Frequently the railroads formed subsidiary land companies for the sale of land, and for holding and developing valuable portions of their grants. In many cases the land itself, or an interest in the land company, was given as a bonus to purchasers of a road's stocks and bonds. Sometimes land was turned over in settlement of claims against the roads. Thus, considerable tracts passed

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than 50 thousand acres of good farm land in Ohio and Kentucky. Ralph C. H. Catterall, *The Second Bank of the United States* (1903), p. 67.

[8] Jenks, *Migration of British Capital*, p. 256.

into the hands of old world capitalists.[9]

The Texas and Pacific Railroad furnishes an example. By 1880 this road, with a grant totalling almost 5.5 million acres, had transferred ownership of 640 thousand acres in Texas to the Fidelity Insurance Trust and Safe Deposit Company of Philadelphia in trust for foreign claimants—though in that year the railroad made an adjustment with these foreign creditors by which it reacquired some 80 to 100 thousand acres.[10] Additional acreage passed to foreigners in 1886 when the road was reorganized, heavy floods in Louisiana and a cotton crop failure in Texas in 1884 having resulted in the road's defaulting on its bonds. Under the reorganization, holders of land-grant bonds, including foreigners, were given the land on which their holdings were secured—and in addition, in exchange for their lien on income, were given new second-mortgage bonds equal to 60 per cent of the face value of their former holdings.

Frequently the bonds were directly exchangeable for land at the holder's option. This was true of the Vicksburg, Shreveport and Pacific Railroad land-grant bonds of which $739,250 in bonds and $109,398 in coupons had been converted into land before the road was forced into receivership in 1900. This road was controlled by a British company, the Alabama, New Orleans, Texas and Pacific Junction, which acquired some acreage by the exchange of bonds, and in 1902 bought the road's remaining lands when they were offered at auction.[11]

[9] Robert E. Riegel, *The Story of the Western Railroads* (1926), pp. 280-83.

[10] *Poor's Railroad Manual*, 1880, p. 917; 1887, p. 791.

[11] The Alabama, New Orleans, Texas and Pacific Junction bought the Vicksburg, Shreveport and Pacific outright at foreclosure sale in 1901, but the lands covered by the land-grant bonds were not included in this sale. *Poor's Railroad Manuals* and various *Commercial and Financial Chronicle* references in 1900 and later.

The 7.30 per cent Northern Pacific bonds, sold by Jay Cooke in Europe and America, were convertible at 110 per cent of face value into land priced at two and one-half dollars an acre. After the crash of 1873, Cooke's advice to the public in favor of such conversion was followed by some bondholders. At the original offering price of the bonds, this was about two dollars an acre for land that in the nineties sold at 40 to 60 dollars an acre.[12] After the reorganization of the road in 1875, preferred stock was issued exchangeable at par for the company's lands. At the prices then prevailing for the stock, the cost of lands bought in this way was around a dollar to a dollar and a quarter an acre.[13]

Somewhat similar were the foreign acquisitions of land in exchange for the defaulted bonds of some of the states. The Alabama Coal, Iron, Land, and Colonization Company, registered in England in 1882, was formed to administer and develop land which its owners had acquired in this way. In arranging with the holders of its defaulted bonds in 1876, Alabama had agreed that the holders of its 8 per cent bonds issued in 1870—in London—should be given land in exchange for their holdings if they surrendered the bonds to the state not later than 1886. The company taking over these lands for the English bondholders eventually proved an enormously profitable venture. Dividends paid by the company, in part from the gradual liquidation of its holdings, range from 25 per cent in 1909 to 75 per cent, with a bonus of 50 per cent in 1917. Meanwhile, the company's remaining acreage amounted to 460,225 acres in 1914; reduced to 447,023 acres in 1918.

[12] Sakolski, *The Great American Land Bubble*, pp. 306-07.

[13] The same, p. 309; Stuart Daggett, *Railroad Reorganization* (1908), pp. 267-68. Part of this stock was issued in exchange for the company's defaulted bonds.

The Capital Freehold Land and Investment Co., Ltd., registered in 1885, acquired 3 million acres of Texas land directly from the state of Texas in payment for erecting the new state capitol building at Austin. By 1914 it had sold a little more than 2 million acres, netting it about 7 million dollars, and still had 978 thousand acres valued in the balance sheet at about 4.9 million dollars.

Thus, by various methods during the latter decades of the nineteenth and early years of the twentieth centuries, many British companies, and a few of other nationalities, acquired large tracts in the United States.[14] Most of them were formed to buy up lands for resale to immigrants. A few bought for the purpose of profiting from agricultural developments—cotton[15] and fruit, in the main. Some bought for timber and coal resources.

The records show at least three companies registered during the year 1879. One of these, the Missouri Land Company of Scotland, acquired more than 46,000 acres in Missouri, most of which it still held in 1914. Another, the Platte Land Co., Ltd., which was formed to construct an irrigating canal in Colorado and for the purchase and resale of farming lands in that state, repaid its stockholders what they had invested and went out of business in 1918. The third was the Rugby Colony, which during a lifetime interrupted by liquidations and reorganiza-

[14] Mexican War land warrants were bought up in the East at depreciated prices and exchanged at face value for lands in the West. (Sakolski, *The Great American Land Bubble*, p. 283.) While we have found no record of foreign holdings acquired in this way, it is not unlikely that foreigners took advantage of this method of speculation.

[15] The Fine Cotton Spinners' and Doublers' Association, Ltd., a British company, had a considerable investment in southern cotton lands before the War. One of its enterprises, incorporated as the Delta and Pine Land Co., owns 38,000 acres, valued at more than 5 million dollars, in the delta region of Mississippi. About 40 miles north of this plantation are the 8,800 acres owned by the Delta Planting Co., whose foreign debt is held in Holland. *Fortune*, March 1937, pp. 125-29, 160.

tions acquired 29,000 acres in Tennessee, and in 1915 sold these to the Rugby Land Company, incorporated in Tennessee, in exchange for shares. In 1880, two colonization companies, one Scotch and one Irish, were registered. One of them liquidated in 1894; the other disappeared from the records in 1911.

Year after year, some one or more of such companies were added to the list. The number reached a peak in the middle eighties, when a great deal of unfavorable comment was attracted to the absentee ownership of western lands, ownership not only by aliens but also by eastern capitalists. Opposition to the "foreign" landlord was one of the key ideas of the Granger movement, and was included as one of the principal planks in the Populist platform in 1892. The initial investment in 29 land companies that we have been able to identify as foreign, registered from 1879 through 1911, aggregated almost 52 million dollars. Of these 14 were still in operation in 1914 with an aggregate capitalization of more than 40 million dollars.[16] The *Philadelphia Bulletin* in 1909 published a list of 54 such holdings[17]—only one of which appears among the 29 companies mentioned above. Most of these are British, but other nationalities are represented. Together their holdings aggregated 26.7 million acres, and with the companies we have enumerated the total runs to around 30 to 35 million acres for a period a few years before the War.

### MORTGAGE COMPANIES

Coincident with foreign land companies came foreign mortgage companies. In the East companies of this sort

[16] The last of these was registered in 1911. Further details are given in App. C, p. 573. Many such companies undoubtedly have escaped our attention, and no unincorporated holdings are included.

[17] Dec. 6, 1909, p. 11 of the "postscript" edition. This list is reproduced in App. C, pp. 568-69.

date back to an early period. In the West most of them were organized in the seventies or later. Some of them flourished for a day and disappeared; some did a thriving business year after year, paying dividends of 15 per cent or thereabouts with something carried over to surplus each year. A few of the successful ones may be mentioned: the American Freehold-Land Mortgage Company of London, Ltd., registered in 1879; the Texas Land and Mortgage Co., Ltd., registered in 1882; the Oregon Mortgage Co., Ltd., registered in 1883; the Land Mortgage Bank of Texas, Ltd., registered in 1886; and the Mortgage and Debenture Co., Ltd., also registered in 1886.

Not less than 15 British mortgage companies were registered in 1874 and later years for business in the United States. Seven of these, with an aggregate capital of something more than 45 million dollars,[18] were still active in 1914, and most of them were operating in the Pacific and western states. It was estimated that in 1917 British loans on southern cotton and farm lands amounted to about 110 million dollars,[19] while additional amounts were loaned by companies operating in the Pacific and western states. In addition to the British, there were about a dozen Dutch mortgage banks doing an extensive loan business in the middle western and western states, their loans in 1916 aggregating some 40 million dollars.[20]

These figures show the loans outstanding after two or three years of war-time liquidation. Some British companies had reduced their loans considerably from 1914 to 1917, not only because of the pressure the Brit-

[18] A list of these companies is given in App. C, p. 574.
[19] The *Chronicle*, Sept. 15, 1917, p. 1046.
[20] The same, Apr. 1, 1916, p. 1207.

ish government was putting upon them to repatriate their funds, but also because American money was beginning to compete vigorously in the western land-loan business. At the beginning of the War foreign loans on American real estate probably aggregated not less than 200 to 250 million dollars.[21]

### CATTLE COMPANIES

Changes in the cattle business in the late seventies and early eighties brought into the market many bidders for land for ranging purposes. This was an opportunity which the railways did not overlook for disposing of their acreage not suitable for agricultural purposes. Such sales, together with rapid settlement of the West, soon began to exhaust the supply of railroad land. The St. Paul and Pacific, for example, sold its last to an English company in 1880.

Between 1880 and 1890 not less than eighteen companies were registered in Great Britain to engage in cattle raising in the United States.[22] During the latter part of the period fifteen companies, for which we have data, together owned more than 4.1 million acres of land and the investment of the eighteen, according to their reports, aggregated more than 27 million dollars. The oldest of these, the Prairie Cattle Co., Ltd., dated back to 1880, and in 1883 was paying dividends of 20½ per cent. Another paid 15 per cent in 1883 and again in 1884, and 10 per cent in 1885.[23] One of them, the Matador Land and

[21] The Pacific Loan and Investment Co., Ltd., had 4 million dollars loaned in the United States at the end of 1914, reduced to 3 millions at the end of 1916 (the *Statist*, May 1, 1915, p. 221; May 19, 1917, p. 885). The American Freehold-Land Mortgage Company of London,, Ltd., reduced its mortgages in the United States by 600 thousand dollars in 1916 (the *Chronicle*, Oct. 23, 1920, p. 1663).

[22] These eighteen companies, without exception, bought up ranches already in operation by Americans.

[23] The *Chronicle*, May 1, 1886, p. 531.

Cattle Company, was still upholding this tradition of high dividends during the period of the World War, paying 15 per cent plus a bonus of 5 per cent during each of the five years 1914-18.

Mortality among these companies was high. By 1900 eight of the eighteen companies identified above had already wound up their affairs. With the liquidation of the cattle companies, British-controlled packing houses were also passing into American hands. In 1902 Swift and Company acquired a 1.2 million dollar interest in the Anglo-American Provision Company, having a large plant in Chicago, and paid G. Fowler, Son & Company about 5 million dollars for their Kansas City packing plant. The latter company sold its Omaha plant, also in 1902, to Armour and Company for 2.5 million dollars.[24]

By the end of 1913, five more of the eighteen cattle companies had passed out of existence, leaving only five survivors, representing an investment of 5.9 million dollars, at the beginning of the War. Only two, with an investment of 2.6 millions, were active at its close,[25] and one still remained in 1934.

## MINING COMPANIES

The mineral wealth of the new world proved an early attraction to adventurers and to old world capitalists looking for a chance to get in on the ground floor in some big enterprise. One such expedition was formed in 1770 to find the mountain of silver and copper reported to be on the south shore of Lake Superior. Financed by London capitalists, a small party of explorers

[24] The same, June 28, 1902, p. 1359; June 14, 1902, p. 1255.

[25] Compiled from various numbers of the *London Stock Exchange Official Intelligence*. See also Ellis P. Oberholtzer, *A History of the United States since the Civil War*, Vol. IV (1931), pp. 609, 621.

went treasure hunting along the shores of Lake Superior. But when signs of autumn appeared they turned back to England to organize a company and sell stock to the stay-at-homes. Early the following spring they sent over a party of Cornish miners. They themselves had had enough of such pioneering. Again the approach of winter sent the expedition home, this time thoroughly discouraged, and almost three-quarters of a century passed before Lake Superior copper was discovered in commercial quantities.[26]

How many foreign undertakings of this sort came to naught we do not know, but there must have been many of them. Weeds' comment on the demise of the Fresno Copper Co., Ltd., indicates that the stay-at-homes must have seen their hopes dashed many times. "Lands sold and company out of business. . . . Company had a ranch, not a mine," said Weeds, "and is another case of too trusting Englishmen."[27]

The financial journals show a great many companies appearing long enough to sell stock, thereafter disappearing from the records. Some lingered on for a decade or more before passing out of existence. A search through two numbers of the *London Stock Exchange Official Intelligence*, those for 1886 and 1896, brought to light 40 that were registered between 1870 and 1895—their reported capitalization aggregating some 8 million dollars—20 of which had disappeared by 1903, and the other 20 by 1914.

Some of the foreign companies operating in the United States proved to be highly profitable ventures. One of these was the Arizona Copper Co., Ltd., Scottish controlled, dating back to 1882. During its active life this

[26] Ira B. Joralemon, *Romantic Copper* (1935), pp. 45-48.
[27] *Mines Handbook*, 1916, p. 506.

company followed a policy of plowing back a considerable part of its earnings, and for the first eleven years paid nothing at all to its stockholders. But in 1916 it paid dividends of 80 per cent free of tax, equal to 100 per cent if the tax is taken into account.[28] The Plymouth Consolidated Gold Mines, Ltd., registered in January 1914 in England, paid dividends of 10 to 15 per cent until after the close of the War.

Many of the best paying British properties were chosen with full benefit of technical knowledge and skill. Exploration and development companies such as the Venture Corporation of London, the Exploration Co., Ltd., and the Consolidated Gold Fields of South Africa with its American subsidiary, Gold Fields American Development Company, employed the best engineers—American engineers—to find, examine, and purchase, and to advise later regarding the operation of their mines.

The Tom Boy Gold Mines, Ltd., which in the eight years 1910-17 paid dividends aggregating 225 per cent, was largely owned by the Exploration Co., Ltd. The Yuba Consolidated Gold Fields, one of the several principal holdings of the Gold Fields American Development Company, with a capital of 750 thousand dollars took out net profits of 37.5 million dollars between 1904 and 1933.[29]

A profitable investment of the Venture Corporation was its purchase, from the late Thomas F. Walsh, of the

[28] The *Statist*, February 1917, p. 304. The company was organized in 1884 and was successor to a successor of Arizona Copper, Ltd., organized in 1882.

[29] John Hays Hammond, *Autobiography* (1935), p. 498. Exploration also bought control of an Alaska mine in 1890, which it renamed the Alaska Treadwell Gold Mining Co., and had interests in other Alaska properties. Thomas A. Rickard, *A History of American Mining* (1932), pp. 59, 67, 73.

Camp Bird Gold Mine, which became the principal asset of the Camp Bird, Ltd., organized in London in 1900. This company, of which John Hays Hammond was consulting engineer and Herbert Hoover at one time chairman of the board of directors, by January 1911 had paid total dividends of 155 per cent, with smaller amounts thereafter. With the tapering off of production in its American mines in 1916 the company turned to Mexico for new mining properties to maintain its assets.

De Lamar Mining Co., Ltd., was registered in Great Britain in 1891 to acquire a group of gold and silver mines already in operation in Idaho. In 1901 it was reorganized as the De Lamar Co., Ltd., the capital stock being reduced from £400,000 to £80,000. To the end of 1910 the dividends paid by the two companies had totalled £586,000, equal to 146 per cent on the original capitalization. New development work was in progress in 1914 but shortly after that the company disappeared from the records.

The Boston Consolidated Copper and Gold Mining Co., Ltd., was incorporated in Great Britain in 1898 to engage in mining copper, gold, and silver in the Bingham district, Utah, and acquired all of the capital stock of the Boston Consolidated Mining Company, a New York corporation. In 1910 the American subsidiary was merged with Utah Copper, giving its foreign holders a 3 million dollar interest in the highly profitable new 25 million dollar Utah Copper Co.[30] The *Report* of the Dollar Committee shows little liquidation of British holdings in this company. A large French interest in Utah Copper, however, was sold to Americans early in the War.

The Mountain Copper Co., Ltd., organized in 1896,

[30] Harvey O'Connor, *The Guggenheims* (1937), p. 288.

was managed with unusual ability. With the depletion of its better-grade ores, the company adapted its plants to the manufacture of sulphuric acid from its high-sulphur-content pyrites, and recovered copper and gold as by-products. In this way it was able to continue paying very substantial dividends during the War.

The experience of these large foreign corporations did not always have a happy ending. The Venture Corporation about 1908 bought Stratton's Independence from its original owner at a price of 7.5 million dollars, which was well above the price at which the owner would have been delighted to sell, had he not seen the eagerness with which the British corporation bid up the property. Later, when John Hays Hammond gave an unfavorable report on this mine to some of his English clients who were considering the purchase of Venture stock, there was a crash in the market quotation for that security,[31] and eventually the corporation capitalized its new purchase at only $625,000 (£125,000). On this modest valuation the dividends paid by the mine had aggregated 75 per cent by the middle of 1914. In 1917 Venture disposed of the mine for 5 per cent of its original cost.[32] Quite as disappointing to the Exploration Co., Ltd., was the outcome of that company's refusal to buy the Portland Gold Mining Company at a price of 2¼ million dollars when the opportunity was offered late in the nineties, for by 1900 the mine was valued in the market at 9 million dollars.[33]

In addition to their metal mining properties, the British had interests in other American mineral resources. At the outbreak of the World War, the British held all or

[31] Hammond, *Autobiography*, pp. 492-93.

[32] *Weeds' Mines Handbook*, 1916; *London Stock Exchange Official Intelligence*, 1915.

[33] Thomas A. Rickard, *The Cripple Creek District* (1900), p. 17.

most of the securities of the Ducktown Sulphur, Copper and Iron Company, registered in 1891, which was capitalized at 1.6 million dollars. Before the War, Borax Consolidated, Ltd., registered in 1899, had begun investing in American potash deposits, in the Tonopah and Tidewater Railroad Company and in refineries and factories in the West, their total investment amounting to about 7.6 million dollars. These, together with the metal mining properties, represented an aggregate British investment of not less than 56 million dollars, a figure that without doubt considerably understates the actual situation.

The French had two large holdings in American mining in 1914 both of which were liquidated early in the War. A hundred thousand shares of the Utah Copper Company (out of 1,624,490 shares outstanding) in French hands before the War were sold in September 1915. At par for the stock this represented an investment of 1 million dollars; at the average price quoted on the New York Stock Exchange that month it was 6.6 millions.[34] The Southern Aluminum Company, which represented a French investment of 5.5 million dollars, was bought by the Aluminum Company of America November 1, 1915 for 28 million francs, which at the rate of exchange for that week amounted to 4.7 million dollars.[35] Belgian capital was interested in two small properties: the Belgian-Bohemian Mining Company and the Jualin Alaska Mines.

German interests, as war-time investigations showed, also had made some direct investments in American mining. Outstanding among these was the American Metal

[34] The *Chronicle*, Jan. 22, 1916, p. 315.

[35] Harvey O'Connor, *Mellon's Millions* (1933), p. 91; *Weeds' Mines Handbook*, 1916.

Co., Ltd. This company, incorporated in New York in 1887 with a capital of 200 thousand dollars, had by 1917 grown to be a 7 million dollar corporation, with 49 per cent of its stock German owned. At first confining its business to trading and metals, it soon acquired interests in smelters and refineries, and became an extensive owner of mines in the United States, Mexico, and South America, with subsidiaries engaged in chemical manufacture, coal mining, and shipping.[36]

### FOREIGN OIL COMPANIES

Drilling for oil began in the United States in the northwestern corner of Pennsylvania, where the first well, in this or any country, was brought into production in 1859. Six years later the English Petroleum and Mining Company with £50,000 capital was organized in Great Britain to develop a tract of Pennsylvania land. But this company like many of American origin was soon lost in obscurity.

It was not until the automobile was invented, near the turn of the century, that foreign oil companies gained a real place in the United States. Charles E. Duryea built the first American gasoline automobile in 1892, and commercial production began in 1903. By 1932 there were 26 million cars and trucks on American streets and highways; and 2 billion dollars had been invested in the automobile industry of the country. The oil industry grew up with the automobile. In 1906 the total investment, American and foreign, in American oil was 800 million dollars. In 1932 it had increased to 12 billion dollars.

Among the largest of the oil companies operating in

[36] The *Chronicle*, Mar. 22, 1909, p. 1123; *Moody's Manuals;* and the *Report of the Alien Property Custodian*, 1919, pp. 71-101.

the United States at the close of the War was the Royal Dutch-Shell group. The Shell Transport and Trading Company, incorporated in England in 1897, began buying American properties early in the twentieth century. In 1902 they acquired an interest in the Union Petroleum Company, an American company with headquarters in Philadelphia. In 1913 they bought up the California Oilfields, Ltd., an English company organized in 1901 that was extensively engaged in the production of crude petroleum. This new property they turned over to their recently organized subsidiary, the American Gasoline Company, whose name was changed in 1914 to the Shell Co. of California, Inc., and in 1915 again changed to the Shell Co. of California. In 1910 the Royal Dutch-Shell group acquired the producing properties in Oklahoma formerly held by the British-controlled Dundee Corporation, Shell and Royal Dutch having joined forces some five years earlier. By 1914 the American holdings of this combination amounted to not less than 17.7 million dollars and probably more.[37] During the War this investment was increased to no less than 38.5 million dollars.

Other British companies were formed during the decade and a half preceding the World War but few of them attained any marked success. Texas Oilfields, Ltd., was registered in London in 1901 to acquire Texas oil lands and in 1913 sold out to the Fremont Oil Co., Ltd., also British. Fremont, capitalized at about 200 thousand dollars, of which more than half had been given to the underwriters, disappeared from the records five years later. The Oklahoma Oil Co., Ltd., was organized in

[37] Federal Trade Commission, *Foreign Ownership in the Petroleum Industry*, 1923, Chap. II and pp. 110-15 and *Report on Pacific Coast Petroleum Industry*, Pt. I, 1921, pp. 113, 114.

1910, and disappeared from the records in 1918. The Santa Maria Oilfields of California, Ltd., capitalized at 5.8 million dollars, was registered in 1911, and in 1919 was taken over by the Santa Maria Consolidated Oilfields, Ltd., capitalized at only 1.4 million dollars.

Kansas, Oklahoma Oil and Refining Co., Ltd., registered in 1912, paid about 1.1 million dollars in cash and 300 thousand dollars in common stock for the properties it acquired; and in 1919 was still active in the mid-continent field. The Pacific Oilfields, Ltd., was organized in 1907 with fully paid capital of 1¼ million dollars, and with almost 6,000 acres of undeveloped oil lands in California. The end of the War saw the company still in possession of its lands, but with development work not yet under way. The Kern River Oilfields of California, Ltd., was registered in 1910 with almost 2.5 million dollars of capital. Dividends on the common stock were paid at the rate of 5 per cent in 1914, rising to 15 per cent in 1918.

French and Belgian capitalists, as well as British and Dutch, were investing in American oil before the World War. The most important of the Wyoming fields was largely developed by capital from these countries, with some from Holland. The discovery well here had been drilled late in 1889, and in 1905 the Société Belgo-Americaine des Petroles du Wyoming, a Wyoming corporation financed by Belgian and French capitalists, had secured certain claims in this field. In 1910 a second French group became interested in this Wyoming field, their investment at this time amounting to something less than 600 thousand dollars. Three years earlier other claims had been bought up by the Petroleum Maatschappij Salt Creek, a Dutch corporation. But the turnover in oil lands was rapid and by February 1914 these

claims had passed through the hands of several companies, and were held by the Midwest Refining Company in which six of the fourteen directors were foreign, five French, and one Swiss, the Dutch apparently having withdrawn from the venture. In the meantime this company had also absorbed the other Wyoming properties in which the French were interested, French capitalists obtaining a considerable interest in Midwest Refining. But between 1917 and 1920, the French disposed of their shares to Standard Oil of Indiana, in all some 80 thousand shares or less, at a price of around 40 dollars a share.[38]

Another French company that passed into American hands shortly after the War was the Union des Petroles d'Oklahoma. This company, soon after it was incorporated in France in 1911, acquired more than 4,000 acres of Oklahoma oil land from the British-owned Premier Petroleum Company, incorporated in Maine in 1910, giving its own shares in payment. In addition the French company acquired all of the shares of five American companies. But in 1918 Union des Petroles d'Oklahoma transferred all its properties and assets to the Oklahoma Producing and Refining Corporation of America in exchange for stock in that company. At the same time, or shortly afterward, Oklahoma Producing and Refining obtained most of the common (22.6 million francs out of 25 millions outstanding) and part of the preferred (2.7 million francs out of 15 millions) of

[38] Federal Trade Commission, *Report on Petroleum Industry of Wyoming*, 1921, pp. 16, 19-20, 50-51 and *Moody's Manuals*, 1913 and 1914. The foreign companies whose history is involved in the formation of the Midwest Refining Company are: Petroleum Maatschappij Salt Creek (Wyoming); Wyoming Oil Co. (New Jersey); Wyoming Oil Fields Co. (Wyoming); Franco-Wyoming Oil Co. (Wyoming); Franco-Petroleum Co. (Arizona).

the French company, which it turned over to the Pure Oil Company, an American corporation. In 1922 Pure Oil bought from French holders the remaining 12.3 million francs of the preferred stock of Union des Petroles leaving not more than 2.5 million francs common in foreign hands.[39]

The companies identified above represent the most important of the foreign investments in American oil at the beginning and close of the World War. At the end of 1914 their aggregate capitalization amounted to 35 million dollars; increased to 46 millions by the close of 1919 when new investments by the Royal Dutch-Shell group more than offset the French repatriations of capital. Undoubtedly there were other companies in which foreigners held control, so that these figures considerably understate the situation. But the oil industry was still in its infancy in 1914—as was also foreign ownership in American oil. By 1922 the American investments of the Royal Dutch-Shell group alone amounted to more than 205 million dollars or six times the amount we have been able to identify as foreign owned in 1914.

## BREWERIES AND LIQUOR COMPANIES

British losses from our "bone-dry" constitutional amendment were estimated early in 1919 at about 150 million dollars.[40] This figure, however, is probably a maximum estimate of the total investment of the British in this business and considerably exaggerates the losses suffered. To some extent plants were converted to other

[39] *London Stock Exchange Official Intelligence*, 1915, p. 1481; *Moody's Manual*, 1919, p. 1597; the *Chronicle*, July 3, 1920, p. 79; Federal Trade Commission, *Foreign Ownership in the Petroleum Industry*, p. 35.

[40] The *Chronicle*, Feb. 15, 1919, p. 641.

uses and continued in operation; in some cases companies were liquidated and something salvaged. The Denver United Breweries, Ltd., for example, turned to the manufacture of temperance beverages as early as 1916; the New York Breweries, Ltd., liquidated in 1922, distributed among its stockholders the proceeds from the sale of its assets. In the later years before the War, few new foreign breweries were organized in the United States, and some of the old ones were closing their doors. The financial manuals show only 17 British brewing and liquor companies operating in the United States in 1914, with a nominal investment of 58 million dollars. Fifteen years earlier the manuals showed some 23 such companies with an aggregate capital of about 75 million dollars.

Most of these British companies dated back to 1889 or a little later. Practically all of them were organized to buy up American plants already in operation. They were located across the country from coast to coast: in New England, New York, Cincinnati, Springfield (Ohio), Indianapolis, Chicago, St. Louis, Denver, and San Francisco.

At least two among them were remarkably profitable concerns during the War and pre-war period, but the greater number were yielding little or no return to their owners by the time prohibition became law. The F. W. Cook Brewing Co., Ltd., registered in England in 1892, paid a dividend of 20 per cent in 1914, 25 per cent in 1915, 30 per cent in 1916, and 12½ per cent in 1917. The Goebel Brewing Co., Ltd., registered in England in 1889, paid 20 per cent in each of the four years 1910, 1911, 1913, and 1914, and 15 per cent in 1912.

German interests were of considerably less importance than British in breweries and liquor houses. The *Report of the Alien Property Custodian* shows seven breweries

in which German ownership ranged from 13 to 94 per cent, and in which aggregate German ownership amounted to about 4.7 million dollars; and five wine and liquor businesses, in which German ownership ranged from 65 to 100 per cent with aggregate ownership by Germans amounting to less than a quarter of a million dollars.[41]

## OTHER FOREIGN INDUSTRIALS

In the early 1790's there were English and Scottish commercial firms and agencies in Richmond, Charleston, and other places in the South, as well as in the commercial centers of the North. The Marquis of Caermarthen owned the Manhattan Banking Company in New York, "body and breeches," except about enough to provide qualifying shares for a board of directors of New York citizens.[42] In 1844 Barings bought up the Merchants' Exchange in New York City, at a public sale, for 900 thousand dollars. The Mount Savage Iron Works, in Maryland, with a capital of 1.5 million dollars, in which the manufacture of railway iron in the United States began in 1844, was mainly owned in Great Britain. Two British packing houses were opened in Cincinnati in 1842 in anticipation of a relaxation of British tariffs.[43]

In the period before the World War one of the principal British industrials in the United States was the American Thread Company, registered in 1899. Its entire common stock, 5.4 million dollars, was owned by the English Sewing Cotton Co., Ltd. During the first seventeen years of its life (1899-1916), the American company had paid twelve annual dividends varying from 10 to 18 per cent; in only two of the seventeen

[41] Compiled from list given in the 1919 report, pp. 290-374.
[42] Jenks, *Migration of British Capital*, p. 361, note 11.
[43] The same, p. 368, note 11.

years had it failed to pay anything to its English owner. Had the War not intervened, this corporation would probably have been among those trusts called to show reason why they should not be dissolved.[44]

Lever Brothers, Ltd., England's big soap manufacturing company, established a subsidiary in the United States in 1899, and at the outbreak of the War had not less than $3,750,000 invested in New England. Pillsbury-Washburn Flour Mills Co., Ltd., incorporated in 1889 in Great Britain, went into the hands of a receiver twenty years later and thereupon leased its properties—consisting of six flour mills in Minneapolis and the entire capital of two water-power companies—to an American operating company.

Courtaulds, Ltd., manufacturers of artificial silks and other textiles, established a subsidiary in the United States in 1909, reorganized in 1915 as the Viscose Company, in which Courtaulds held 5 million dollars of bonds and 10 million dollars of shares.[45] DeTrey and Company, Ltd., held 1 million dollars of common and preferred stock, or a one-third interest, in the Dentists Supply Company of New York, which it had acquired for about 550 thousand dollars in cash and about 200 thousand dollars in its own common shares. Linen Thread Company, Ltd., formed in 1898, held all shares of five concerns operating chiefly in the United States. The Otis Steel Company, a British-controlled company that had operated in Ohio since 1895, was sold to American interests in May 1919 for a total of about 13 million dollars.[46] Out on the Pacific Coast the British had

[44] The *Chronicle*, July 25, 1914, p. 271.

[45] The *Statist*, Mar. 9, 1918, p. 414. These shares were included in the Courtaulds balance sheet in 1915 as an unvalued asset.

[46] The same, May 17, 1919, p. 896.

more than 2 million dollars in the Olympic Portland Cement Co., Ltd., with properties and factories at Bellingham, Washington.

German investments in manufacturing were large and varied. In many cases they were used as outlets for partly finished goods shipped from Germany. The largest vendor and manufacturer of surgical instruments in the United States was the German corporation Kny-Scherer, whose business was established some time before the middle nineties. Two other German concerns—DeWitt and Hertz, and Siemens and Halske—also had important places in this industry. In two German companies, the Bosch Magneto Co. and the Eiseman Magneto Co., producing half the magnetos sold in America, the German investment amounted to not less than 11.5 million dollars.[47] In the pre-war chemical and dye industries, German interests were supreme.

The French had a relatively small amount invested in the New York Taxicab Co., Ltd., and in the Berlitz chain of language schools. The Belgian Company, Solvay & Cie, held about 11.5 million dollars of the stock of American companies later included in the formation of the Allied Chemical & Dye Corporation, and also held shares of the Kansas Chemical Manufacturing Co. and in the By-Products Coke Co.

The Canadian Car and Foundry Co., Ltd., had a plant in New Jersey valued at more than 16 million dollars, according to reports made in 1916 when it was destroyed by an explosion. The Alabama Traction, Light and Power Co., Ltd., was organized in Canada in 1912 when funds could not be obtained in Alabama. By the

[47] *Report of the Alien Property Custodian*, 1919, pp. 109-11. Further data on German investments in the United States are given in App. B, pp. 528 and 533-37 below.

latter part of 1924, however, about 75 per cent of the common stock of the company had been repatriated.[48]

The Wah Chang Mining and Smelting Co., Ltd., a Chinese-controlled concern, established a trading agency in the United States in 1914. Beginning in a small way as a merchandiser of antimony and tungsten, it was incorporated in New York in 1916 with a capital of 10 thousand dollars, which was increased three times—to 2 million dollars in 1919.[49]

In all some 36 million dollars of British, 24 millions of Canadian, and 13 millions of French and Belgian capital have been identified as invested in this miscellaneous group of industries before the War. There are also many other foreign companies which, according to the financial manuals, are operating in the United States; but only sketchy information is given concerning their investment here. Many foreign branch factories and distributing and selling organizations located here, if referred to at all, are given only casual mention, but the foreign capital so invested is not a small item.

### FOREIGN-CONTROLLED RAILWAYS

While the railways represent the one big type of enterprise in which foreigners regularly invested some of their capital, railway ownership and management was from the first largely in the hands of Americans. But from the first, there also were exceptions to the rule.

Only one railway project on record was carried through by a British contracting firm with British labor imported for the purpose as well as with British capital. This was the Atlantic and Great Western—later the New York, Pennsylvania and Ohio—connecting Cin-

[48] The *Chronicle*, Sept. 13, 1924, p. 1285.
[49] *Weeds' Mines Handbook*, 1920, p. 1831.

cinnati and New York. This road was built by an Irish-American promoter, McHenry, for the purpose of selling it at a profit to the Erie.[50] Its first issue of bonds was sold to London banks in 1859—7 per cent bonds that were largely left with the British banks sponsoring them even though the offering price to the public was only 80. By the close of the Civil War 50 million dollars of foreign money had been invested in the road.

The Oregonian, a narrow-gauge road in Oregon, was built and owned by a Scotch company organized in 1879, but it was shortly afterward leased and operated by the Oregon Railway and Navigation Company.[51] The Buffalo, Brantford and Goderich Railroad in 1855 was taken over and operated for a time by its English bondholders.[52] The Alabama, New Orleans, Texas and Pacific Junction Railways Co., Ltd., an English company registered in London in 1881, held control of the New Orleans and Northeastern Railroad, the Alabama and Vicksburg Railway, and the Vicksburg, Shreveport and Pacific Railway, until in 1916 the first of the three roads was sold to the Southern Railway. The holding company was then converted into the Sterling Trust, Ltd.[53] In November 1924 the British company sold its interest in the other two roads, at par, to a group of New York and New Orleans bankers, who later offered it to American investors.[54]

[50] Jenks, *Migration of British Capital*, pp. 256-59; S. F. Van Oss, *American Railroads as Investments* (1893), p. 412; Oberholtzer, *History of the United States*, Vol. I (1926), p. 237. The *American Railroad Journal*, 1852, p. 632, speaks of certain British engineers who were examining American railway projects and also sending their agents here to sell railway iron and machinery.

[51] *Poor's Railroad Manual*, 1884, p. 909.

[52] *American Railroad Journal*, 1855, p. 581.

[53] This trust in 1921 had almost 5.9 million dollars invested in American railways. The *Statist*, Feb. 11, 1922, p. 219.

[54] *New York Times*, Nov. 14 and 15, 1924.

Among the railways, the companies named above have been the exception, not the rule. Yet on occasion English stockholders in various American railroad companies have for a time taken a hand in managing the company in which they held stock as investments. In 1872 it was the English stockholders who maneuvered the plan that ousted Jay Gould from his control of the Erie.[55]

Foreign stockholders of the Illinois Central on one occasion felt called upon to inquire into their road's management. After the Civil War the company had realized enormous returns from the sale of its lands. As a result, it paid annual dividends of 10 per cent from 1865 through 1873, and 8 per cent in 1874-76. In 1877, however, it could pay only 4 per cent. European shareholders were alarmed. They appointed a committee to visit the United States and inquire into the cause of the road's decline. This committee was not so much interested in the explanations given: that little land remained to be sold and that traffic had fallen off as a result of the depression. What they wanted was action by the road's officials that would produce more dividends, and it is reported that this visit from the stockholders led the road to "follow a more aggressive policy" in the future.[56]

[55] Lewis Corey, *The House of Morgan* (1930), pp. 110-11. In 1868 one member of the Erie board of directors gave his address as London, England.

[56] Van Oss, *American Railroads as Investments*, p. 728. In 1855 there had been 113,078 Illinois Central shares issued in the United States, 23,905 issued in London, and there were 21,408 still held by the company (*American Railroad Journal*, 1855, p. 119). In 1873 American shareholders held only $5,451,500 of the company's shares out of $25,483,890 outstanding. In 1890 Americans held $13,961,300 out of $40,000,000 outstanding (the *Chronicle*, Mar. 15, 1890, p. 391). In 1900 the distribution of shares was as follows: $255,400 held by officers and employees, other than directors, of the company; $34,620,700 held

London stockholders of the Louisville and Nashville Railroad in December 1887 wrote the directors of the company urging them to adopt a three-year policy of issuing stock dividends instead of cash, thus conserving the company's earned surplus for improvements and equipment. This recommendation was also approved by American stockholders. At this time 25 per cent of the road's stock was held by 18 Britishers, and at least 45 other British nationals also held stock in the road.[57]

Canadian control of certain American mileage began some time before the Civil War, the American roads so controlled being integrated with the Canadian system. In value terms, such Canadian ownership amounted to about 82 million dollars in 1914 and to 99 millions in 1919. The mileage of American railways included in the Canadian system in 1931 amounted to 10,500 miles, of which 8,000 miles were owned outright by Canadian roads.[58]

The Mexican government owns approximately 180 miles of road in the southern part of the United States—valued in 1914 at approximately 3.2 million dollars, and in 1919 at about 2.5 millions. This road, the Texas-Mexican Railway Company, was chartered in Texas in 1875, and was controlled by the National Railroad Company of Mexico when the latter was taken over by the Mexican government in 1906-08. Although it has regularly operated at a loss, it is of importance to the

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by residents of the United States; $19,861,600 held by residents of Great Britain; $5,512,500 held elsewhere (*The Annals*, November 1903, p. 605).

[57] *Poor's Railroad Manual*, 1890, p. 373. The *Chronicle*, 1888, Jan. 7, p. 45; Jan. 14, p. 75; Mar. 21, p. 511; June 16, p. 771. According to the *Chronicle*, English stockholders asked for cash dividends, while *Poor's* states they petitioned for stock dividends. At any rate, they were taking a hand at shaping the policy of the company.

[58] 71 Cong. 3 sess., H.R. 2789 (1931), Vol. I, pp. 514-27.

Mexican system because of the outlet it provides to the sea.

### FOREIGN-CONTROLLED BANKS[59]

Early developments in the field of banking are largely responsible for the discriminations against foreign banks that appeared in the banking laws of many of the states. Until 1799 when the first Massachusetts bank act was passed, banking in all parts of the United States was a common law right on which there were practically no statutory restrictions. Several of the banking functions were handled by merchants as adjuncts to their other business. They made cash loans to their customers and paid cash to third parties on the written order of a customer, as well as extending credit for merchandise. Also, when currency was scarce, they sometimes issued their own notes to supplement the supply. These rights and privileges, however, were generally and grossly abused.

During the first half of the nineteenth century so much misery was inflicted on the country by the "wildcat" banking of the South and West, and the "free" banking of New York that the states found it necessary to pass laws designed to protect the public. By 1830 most of the states had begun to define the powers a bank might exercise, and in succeeding years they added other restrictive legislation. In most cases they adopted the principle that, unless specially authorized by the states, banks organized under the laws of other states or countries should be prohibited from operating within the state concerned, and that specially authorized "foreign" banks should be subject to certain restrictions not applicable to the banks created within the state.

[59] In large part this section is based on Clyde William Phelps, *The Foreign Expansion of American Banks* (1927), Chaps. XII and XIII.

The principal restrictions that the states now place on banks created outside their borders are that such banks are prohibited from accepting deposits or conducting a general banking business within the state concerned. These prohibitions and limitations were primarily intended as protection against the banks of other states. In practice, however, they also act as bars against the establishment of American branches by the banks of other countries. In the 1920's some efforts were made to put the branches of foreign banks on an equal footing with those of domestic corporations. Bills to accomplish this purpose were taken up by the New York state legislature but failed to become law.

An examination of the list of banks and branches included in the first 1936 edition of the *Rand-McNally Bankers Directory* discloses only 54 branches or agencies of foreign banks in operation in all important American cities along the Canadian or Mexican borders or the Atlantic, Pacific, or Gulf coasts, or in cities of 100,000 population or more in any part of the country. These were located in seven cities, as follows:

| | |
|---|---|
| New York | 41 |
| San Francisco | 5 |
| Los Angeles | 2 |
| Seattle | 2 |
| Chicago | 2 |
| Boston | 1 |
| Portland (Oregon) | 1 |

Of these only eight are authorized to do a regular banking business in the states where they are located. The combined deposits of these eight branches in 1937 amounted to approximately 16.4 million dollars as compared with the 50 billion dollar total deposits (excluding inter-bank deposits) of all banks in the United States.

In the state of New York, where foreign banks are most interested in locating, they are not permitted to establish branches, although they may operate either through agencies or through subsidiary corporations. The distinction here is clear cut. An agency established in New York by a foreign bank is simply the New York representative—or New York office—of the foreign organization. As such it may engage in international or foreign banking transactions, but it may not accept deposits or engage in a general banking business. On the other hand, a subsidiary organized in New York by a foreign bank is itself a domestic corporation, although its ownership and control are foreign. Since it is organized under New York law it enjoys equal rights with other banking houses incorporated in the state.

In various other states where foreign banks might find it advantageous to locate, statutes have been passed similar to those in force in New York. By a law enacted in 1917, California bars the agencies of foreign banks from accepting deposits—though the act authorizes the retention of this privilege by foreign agencies to whom it previously had been accorded. In Chicago, branches of two Canadian banks established before 1920 continue to carry on a regular banking business, a privilege denied to foreign banks under the present laws of Illinois. In Boston also, a Canadian branch carries on a regular banking business, although the establishment of new foreign branches in Massachusetts has been made impracticable by the clause in the present law providing that such branches, if established, must bear the examination expenses incurred on their account.

The laws of Ohio and Oregon specifically bar "foreign" banks from receiving deposits in those states, and in Pennsylvania the intent of the law appears to be the

same. Texas law bars foreign corporations from carrying on a banking or discount business in the state. Washington and Wisconsin both bar foreign corporations from engaging in banking or trust business. However, both Oregon and Washington make exceptions for banks established in those states before their present laws were passed.

### FOREIGN INSURANCE COMPANIES

In 1804 the Phoenix Assurance Company established a branch office in the United States. This branch of a fire and marine insurance company was the first American branch established by any British insurance company—and probably the first one located here by any foreign company. Six years later the company closed its American office because of hostile legislation, and did not re-enter the country until 1879, though it engaged in a re-insurance business during the interim. In the meantime, other foreign insurance companies were opening branch offices in the country: the Liverpool & London & Globe in 1848, the Royal Insurance Company in 1851, the Northern Assurance Company in 1854, and the British America Assurance Company in 1874.[60]

By the close of 1934 there were 129 foreign insurance companies with branches or affiliates operating in the United States. This total was made up of 83 British companies, 17 from all other European countries, 16 Canadian, and 13 non-European. It included 100 fire and marine insurance companies, 19 casualty, and 10 life.[61] These figures show the number of subsidiaries that had

[60] Compiled from the *Insurance Yearbook for 1931, Fire and Marine Insurance*. Of these four companies, the first three named are British, and the last one is Canadian.

[61] U. S. Dept. of Commerce, *Foreign Investments in the United States*, p. 43; *Trade Information Bulletin No. 834* (1936), p. 7.

survived until the close of 1934, but they do not show the number that had been established and withdrawn during the 131-year period 1804-1934.

The American history of foreign insurance companies shows that change is the order of the day in insurance, as in other lines of business—new companies, new branch offices, are established from time to time; old ones disappear. During the 35 years, 1861-95, not less than 32 foreign companies closed their American offices. None appear to have liquidated during the succeeding four years (so far as the insurance yearbooks show), but 21 or more American branches were closed during the 15 years 1900-14; 21 or more during the 5 years 1915-19; and not less than 36 during the 10 years 1920-29—a total of 110 casualties among the foreign insurance branches during a period of 69 years. The location of the parent companies concerned is shown below.[62]

| | | | |
|---|---|---|---|
| Austria | 2 | Japan | 4 |
| Belgium | 3 | Netherlands | 2 |
| Bulgaria | 2 | New Zealand | 1 |
| Canada | 9 | Norway | 4 |
| Cuba | 3 | Nova Scotia | 3 |
| Denmark | 1 | Russia | 9 |
| France | 8 | Spain | 1 |
| Germany | 19 | Sweden | 3 |
| Great Britain | 29 | Switzerland | 4 |
| India | 1 | Poland | 1 |
| Ireland | 1 | | |
| | | Total | 110 |

The causes of withdrawal can be readily ascertained for only 25 per cent of the total number. These were the big liquidations of the War period, when all enemy alien companies were forced to close their doors, and the post-war liquidations of eight Russian branches follow-

[62] Compiled from the *Insurance Yearbook for 1931, Fire and Marine Insurance*, p. A17; *Casualty and Miscellaneous Insurance*, p. A250; *Life Insurance*, p. A544. Records showing the branches closed prior to 1861 apparently are not available.

ing the Russian Revolution. In 1917, 13 German, 1 Austrian, and 2 Bulgarian offices were closed. Branches of enemy alien life insurance companies were permitted to continue operations until 1919, when the two German companies concerned were forced to close.

There appears to have been little or no relation between the closing of American branch offices of foreign companies and the great conflagrations that caused the failure of many American insurance companies before the War. The Chicago fire of 1871 and the Boston fire the following year, the Baltimore fire of 1904, and the San Francisco earthquake and fire of 1906, all called for large payments by the foreign companies. The branches closed during these and immediately succeeding years were fewer, however, than in a great many other years.

As a rule the operations of the American branches of foreign offices have resulted in a net annual outflow of funds from the United States. Following the Baltimore and San Francisco disasters, however, many branches had claims to meet in excess of the funds they held in the United States. Therefore they had to draw on their home offices. Net remittances from the home offices in 1906 amounted to 49.1 million dollars—compared with net remittances *to* the home offices of 6.2 million dollars the following year, and 8.2 millions in 1908. A few British companies had to levy assessments on their stockholders to meet their claims from America. By and large, however, the companies seemed well able to weather the storm, and a great many of those that were active in 1906—with the exception of the German and Russian companies—are still operating here.

On the whole, foreign investments in the United States have included many varieties and kinds of enter-

prises, a changing group in which some types of undertakings have flourished for a time and disappeared, while others have continued to expand with the growth of the country. For example, the land companies were in their heyday in the early part of the nineteenth century. The cattle companies reached their prime in the eighties and early nineties; many foreign investments in mining were being transferred from the United States in the decade before the War to take advantage of discoveries elsewhere; while the investment in breweries and distilleries was greatly reduced following the passage of the Eighteenth Amendment. The mortgage companies were still doing a profitable business at the outbreak of the War, and investments in oil, manufacturing, and insurance were steadily increasing. Barring the railways operated in the United States as part of the Canadian system, and the shorter Mexican mileage, foreign ownership and control of American railways practically ended with the liquidation of the War years.

This large group of direct investments of all kinds probably aggregated some 1.3 billion dollars at the outbreak of the War. Of this total, perhaps half was controlled by the British, a quarter by the Germans, and the rest divided among a great many nations.

## CHAPTER VI

# WAR-TIME LIQUIDATION[1]

During the four and a half years of the World War, the creditor countries of Europe disposed of a large part of the American investments they had accumulated during the preceding century. In this way the principal belligerents were able to supply part of their war-time needs for American wheat, cotton, oil, munitions, and other commodities. All classes of European investments in the United States were thus scaled down considerably: security holdings, foreign control of enterprises established in the United States, and short-term credits extended to Americans by foreign commercial, industrial, and banking concerns. Some offsetting investments were made during the period, particularly by non-Europeans. On balance, however, the aggregate investment of foreigners was reduced from about 7.2 billion dollars in the summer of 1914, to about 4 billions at the close of 1919.

### LIQUIDATION BEGAN EARLY

During the month that intervened between the assassination of Archduke Francis Ferdinand and the outbreak of war in Europe there was active and persistent foreign selling of American securities, particularly rails. Early in July financial writers noted that German holders were beginning to sell their American securities, Dutch capitalists were showing an "indisposition" to add to their holdings, and the French press was criticizing

[1] The aggregate estimates given in this chapter (and explained in App. B) include all classes of foreign investments, while many estimates currently quoted omit the direct and short-term items and also, in 1919, the properties held for foreign account by the Alien Property Custodian.

American securities in general. They attributed the movement to the recent failure of a New York wholesale dry-goods firm having a large indebtedness to certain German and French banks, and to the difficulties some of the railroads were experiencing. In particular they mentioned the Interstate Commerce Commission case against the New York, New Haven and Hartford, in which the misdeeds of the road were recited at length, to the distress of bourse officials in Paris and Berlin who had recently listed some of the road's securities. Also unsettling was the formation of a bondholders' committee for the Missouri Pacific and uncertainty regarding the probable effects of the Cincinnati, Hamilton and Dayton receivership on Baltimore and Ohio securities—companies in which there was large foreign ownership.[2]

As the month wore on this selling movement gained momentum, representing in the main the sale of actual securities in comparatively small lots, on direct orders from abroad.[3] Finally, with Austria's declaration of war on Serbia, followed shortly by Germany's entry into the war, the torrent of foreign-owned American securities pressing into the New York market became tremendous, bringing back all grades of American stocks and bonds. There were clear indications that the liquidation was not essentially speculative in its origin, but represented the outpouring of securities that had been locked up as permanent investments.[4]

On Monday, July 27, began the "temporary" suspension of trading on some of the principal stock exchanges of Europe, which rapidly spread to other financial centers. The London Stock Exchange remained open

[2] *Commercial and Financial Chronicle,* 1914: July 4, p. 7; July 11, pp. 81-83; July 25, pp. 224, 228.

[3] The same, July 25, 1914, p. 230.

[4] The same, Aug. 1, 1914, p. 297.

officially until Friday, but earlier in the week its members had stopped doing business and jobbers had stopped quoting either buying or selling prices. Finally, on Friday morning with a deluge of selling orders brought in by the overnight cables, and with Thursday's stock prices at new lows throughout the list and bonds beginning to show substantial losses, the Board of Governors decided that the New York Stock Exchange must close. Meanwhile, the foreign exchange market had been completely demoralized by the inordinate demand for remittances. Sterling demand bills at Thursday's close were quoted at $5.50, and cable transfers at $6.35. Gold exports to Europe, unusually large early in July, continued in increasing amounts.

Under authorization by a committee of the Stock Exchange, members of the Exchange resumed trading in an unofficial way shortly after the formal closing of the institution. No quotations were officially given out, and little other information was made available, except that these transactions were limited by two important conditions imposed by the Stock Exchange Committee. No sales were permitted at prices below those last recorded at the Exchange, and all transactions were required to be reported to the stock exchange clearing house.

To avoid these restrictions, a center of trading developed in New Street. When the New Street price for a given security had advanced above the lower limit set by the Committee's rules, further trading was usually transferred to the "clearing house" market. By the third week of August, a number of securities were selling well above the clearing house minimum. On November 28, the Exchange was reopened for restricted trading in bonds; on December 12 restricted trading in stocks was

permitted; and finally, on December 15, 1914, unrestricted trading was restored.

The return of securities from Europe continued. But as the warring nations bought more and more goods in America, the fall in the exchange value of the dollar was stopped and the climb back to par begun. When par had been passed—before the end of 1914—and the dollar still continued its upward trend well into 1915, the belligerent governments became increasingly aware of the importance of the claims held by their people against various American debtors. Shortly thereafter Great Britain began mobilization of the American securities held by her nationals.

### BRITAIN'S MOBILIZATION OF AMERICAN SECURITIES

At the outbreak of the War, British investors, like those of other countries, began selling a portion of their American securities, and in this way helped provide the funds needed for Britain's increased import requirements. The flow of dollars from these sales—far from sufficient for war needs—was supplemented at an early date by American commercial and bank loans, and later by loans sold to the American public. In some of these transactions collateral was required, part of it in the form of American securities. The British government, therefore, found it necessary to mobilize the foreign securities held in the country, to furnish a basis for further borrowing in the United States and in general to give support to the pound sterling.

The first step was taken in July 1915 when the treasury instructed the Bank of England to buy American securities in London for sale in New York. Six months later insurance and trust companies were asked to submit

lists of the issues they were willing to sell or loan to the government. At the end of the year a special committee known as the American Dollar Securities Committee was appointed to take charge of these transactions,[5] and shortly afterward published a list of 54 dollar securities wanted by the treasury. Soon the list had grown to 909 issues that the treasury wanted to borrow or buy for use as collateral with American banks or for sale in New York.

The plan became more and more comprehensive as time passed. From a position of one among many bidders in the market in the middle of July, the British government in February 1917 became the sole purchaser to whom holders of foreign securities were permitted to sell. The entry of the United States into the War in April 1917 eased the strain on the British treasury, but until the control was removed and the Dollar Committee dissolved at the end of March 1919, American securities occupied an important place in Britain's war-time financing and in the plan by which for almost four years the pound was maintained at a practically uniform rate of $4.76.

The government's pressure for dollar exchange caused British corporations to curtail their mortgages on American real estate, to the distress of some of the borrowers. In September 1917, when southern financiers were conferring with their congressmen regarding the difficulties raised by the withdrawal of this capital, British loans on cotton and other farm lands of the South aggregated about 110 million dollars. The following

[5] More detail concerning the work of this Committee, together with data showing the liquidation of British-owned foreign securities, are given in App. B.

month it was arranged by the British and American treasuries that British companies need not further reduce their investments in American mortgages, though they were required to remit their income to Great Britain as they collected it.[6]

At the beginning of the War, British investors held about 3.7 billion dollars (par value) of American shares and bonds, or about five-eighths of the foreign-owned total.[7] By the close of 1919 they had sold about 70 per cent of their holdings, or about 2.6 billion dollars, and still retained about 1.1 billions. The greatest liquidation was in railway securities, of which some 2 billions were sold and about 800 millions retained. Of other American securities a little more than a half billion were sold and about 325 millions still remained in British hands.

British-controlled enterprises in the United States amounted to perhaps 600 million dollars in July 1914, or as much as all other foreign-controlled enterprises in the country combined. By the end of 1919 some few of the companies had been sold, but control of most of them was still with the British.

With the dissolution of the Dollar Securities Committee at the end of March 1919, the British government vacated its monopoly position in the market for foreign securities. However, the British treasury continued to accept certain issues on loan, and made some additional purchases, until the plan was brought to an end in March 1922.

[6] The *Chronicle*, Sept. 15, 1917, p. 1046; the *Statist*, Nov. 22, 1919, p. 1123.

[7] With common shares included at market values, instead of par, the British total is 3.4 billion dollars. This adjustment makes the estimate for Great Britain fully comparable with that given on p. 114 above for all classes of foreign investments in the United States.

### FRENCH INVESTMENTS GREATLY REDUCED

In the decade preceding the War the French had floated a number of large loans for certain railways and for the municipality of New York. This flow of funds was reversed during the weeks between the Sarajevo assassination and the declaration of war, and the return of American securities from France was under way. On May 8, 1915 the Minister of Finance, M. Ribot, stated that the French had resold to America more than 41 million dollars of their American bonds and shares.

During the months that followed, large blocks of securities were bought up by the French government and by private interests for forwarding to New York where they were sold or used as collateral for loans. For the first loans made to France no collateral was required. As that country's indebtedness accumulated, however, American bankers making new advances of funds usually requested the deposit of American and other securities as a safeguard against loss.

During the four and a half war years, more than 35 million dollars of the Chicago, Milwaukee and St. Paul loan issued in Paris in 1910, and almost 38 million dollars of the Pennsylvania Company loan taken in Paris in 1906, were sold by the French—the greater part of these having been acquired by the French government before the end of 1915. In September 1915 French bankers sold 1 million dollars, par value (or about 6.6 million dollars market value) of Utah Copper Company stock. In December, Kuhn, Loeb and Company made arrangements for the purchase of a Central Pacific loan issued in Paris in 1911, and eventually bought up almost 25 million dollars of the original 48.2 millions issued. By the close of 1915 French holdings of United States Steel common and preferred were 2 million dollars less

than at the end of March 1914, and an additional 3 millions were sold before the end of 1919.

In the spring of 1916 the French treasury's requirements for foreign exchange, particularly for dollars, resulted in a mobilization plan somewhat similar to that already in effect in Great Britain. The Minister of Finance inserted a notice in the *Official Journal*[8] for May 5 listing securities that the government wished to acquire by purchase or loan, and the terms offered. The plan did not prove a complete success, French capitalists in many cases finding it more profitable to sell their securities direct to foreign buyers than to dispose of them to the French government.[9] But whether through the government or through private sales, the French liquidated about 70 per cent of their portfolio of American securities, the greater part of their sales being accomplished before America joined forces with the allies. In dollar terms, however, French sales were of minor importance, representing an aggregate par value of perhaps 250 to 275 million dollars—or about one-tenth of the amount sold by the British.

After the War, many securities that had been used as collateral for American loans were returned to France. For example, on February 26, 1919, the Bankers Trust Company shipped twenty cases of French-owned securities to the Minister of Finance in Paris, the loans that they secured having matured and been paid off. This was part of a 100 to 125 million dollar lot of stocks and bonds that had been in the Bank's vaults for two years.

[8] *Journal officiel de la république française*, May 5, 1916, p. 3909 and May 24, 1916, p. 4627.

[9] Harold G. Moulton and Cleona Lewis, *The French Debt Problem* (1925), p. 350; André Théry, *Les grands établissements de crédit français* (1921), pp. 218-20; Jules Décamps, *Les changes étrangers*, 2d ed., pp. 304-05.

Another 100 million dollar lot was released April 1, with the payment of the 100 million dollar government loan falling due on that date.[10] These return shipments were made up largely of French and foreign securities, since the bankers accepted as collateral the bonds of many countries, but they included some American issues.

For one reason or another the greater part of the direct investments of the French were also thrown on the market during the War. Southern Aluminum Company, representing an investment of 5.5 million dollars, was sold out early in 1915. A large French interest in the Midwest Refining Company was sold to Standard Oil of Indiana sometime between 1917 and 1920. Their other large investment in American oil, the 8 million dollar Union des Petroles d'Oklahoma, was bought up by the Pure Oil Company in 1918 and 1922.[11] In all, little remained here except the properties needed for facilitating French trade with the United States.

### GERMAN LIQUIDATIONS

War-time pressure for foreign currencies was fully as great in Germany as in the allied countries. In August 1916, the German government took a foreign security census, preliminary to the complete control established the following March. This showed that about 4,060 million dollars of foreign securities, including those of all foreign countries, remained in German hands and that not less than 500 millions had already been exported.[12] The figures currently accepted were somewhat higher, since it seemed likely that there was some evasion in answering an inquiry whose purpose was known to be

[10] The *Chronicle*, Mar 1, 1919, p. 822.

[11] See p. 97 above.

[12] *Wirtschaft und Statistik*, No. 2, 1923, p. 64; Harold G. Moulton and Constantine E. McGuire, *Germany's Capacity to Pay* (1923), pp. 279, 288.

the detection and later acquisition by the government of foreign currency assets of all sorts.

Germany's transactions with other countries were always under the close surveillance of the allies. Securities shipped to the United States—whether American securities returning here or German bonds bought by American bankers—were likely to be intercepted. American bankers and brokers known to have had dealings with Germany were put on the British black list. In March 1916 about 10 million dollars in securities, mailed from Holland and thought to be of German ownership, were seized by British authorities and turned over to the Prize Court.[13] In December, a small block of mark bonds bought by the State Commercial and Savings Bank of Chicago and mailed to the United States were also seized by the British on the Danish steamer *Frederick VIII* and turned over to the Prize Court.[14] Thus, there was little if any opportunity for Germany to use her foreign portfolio as a basis for American loans. To acquire dollar exchange she had to sell her holdings outright, largely through the agency of the neutral nations. It is believed that before April 1917, when the United States came into the War, she had disposed of the greater part of the pick of her American securities. Estimates of such liquidations have ranged upward from a minimum of 300 million dollars.[15] It is, of course, possible that some sales were made through neutral markets even later than April, until such activities were curtailed by the Alien Property Custodian.

[13] The *Chronicle*, 1916: Mar. 18, p. 1009; Apr. 15, p. 1407.

[14] The same, Dec. 30, 1916, p. 2399.

[15] This minimum is from John Maynard Keynes, *The Economic Consequences of the Peace* (1920), p. 177; a much higher figure is indicated by the Royal Institute of International Affairs, *The Problem of International Investment* (1937), p. 131.

The Office of the Alien Property Custodian was created by an act of Congress approved October 6, 1917, and was filled by a presidential appointment sixteen days later. Its function was to take over and liquidate all classes of enemy-owned property, including both the physical properties of foreign-controlled enterprises in the United States and the enemy-owned securities of American enterprises. In fact, a move looking toward the sequestration of securities had begun early in April when the New York Stock Exchange issued a call for information regarding alien enemy accounts, including both securities and money.[16]

The remnant of Germany's holdings of American bonds and shares thus taken over was disposed of for some 275 million dollars. Other properties handled by the Custodian, when sold under the hammer brought about 275 millions additional, though the value on a going-concern basis would probably have been larger.[17] By amendments to the Trading with the Enemy Act, July 11, 1919 and June 5, 1920,[18] by the Winslow bill of March 4, 1923,[19] and by the "Settlement of War Claims Act of 1928,"[20] the proceeds of these sales, with interest, were returned to the dispossessed German owners.

When the Office of the Alien Property Custodian was closed at the end of June 1934, the trust property still on hand had a book value of 65.8 million dollars, and payments already made to enemy aliens, including

[16] The *Chronicle*, Apr. 14, 1917, p. 1445.

[17] This is exclusive of German ships confiscated in American ports at the outbreak of the War, which were valued at 34.2 million dollars. A more detailed discussion of the work of the Alien Property Custodian is given on pp. 533-37.

[18] 41 Stat. L. 35-68, 977-80.

[19] 42 Stat. L. 1511-16.

[20] Passed Mar. 10, 1928. 45 Stat. L. 254-79.

Austrians and Bulgarians, had amounted to about 596 million dollars.[21] As indicated above, Germany's portion of the total probably was some 550 million dollars more or less. Thus, about 550 millions remained at the close of 1919 (out of about 950 million dollars invested in the United States before the War), this amount representing the claims of German nationals against an American government official acting as trustee for their confiscated properties.

### OTHER CREDITORS

Aside from the sales of the principal belligerents, liquidation was under way by other creditors of the American economy. At this same time, however, some foreigners were acquiring new investments in the United States. Among the latter were the Canadian railway companies, particularly the Grand Trunk, that were buying additional rail securities for the purpose of extending their control over certain American roads near the northern border. Between 1914 and the close of 1919 such purchases amounted to almost 17 million dollars, a small figure in comparison with the sales by other creditors.

The Netherlands sold many classes of American securities, reducing the total holdings of that country considerably, but at the same time acquired new oil properties. The Royal Dutch-Shell group, in which the Dutch held control, increased their investment in California oil from about 17.7 million dollars in 1914 to 38.5 millions at the end of 1919. Switzerland, with her franc at a premium in terms of the dollar, increased her investments in American securities after the United States entered the War. In 1917 and 1918 blocks of

[21] *Report of the Alien Property Custodian,* 1932, p. 3; 1933, p. 2; 1934, pp. 6-7.

American Liberty Loan bonds and treasury certificates were reported to have been sold in Central and South America, in the Philippines, and in Scandinavian countries.[22]

Further indications of the mixed trends in the transactions of this group of countries are furnished by United States Steel Corporation data showing holdings of its stock, common and preferred, on March 31, 1914 and December 31, 1919. Par value figures for all countries except the United Kingdom, France, and Germany, are given below, in millions of dollars.

| Country | March 31, 1914 | December 31, 1919 | Change |
|---|---|---|---|
| Holland | 38.6 | 14.8 | −23.8 |
| Switzerland | 0.4 | 0.5 | + 0.1 |
| Canada | 7.8 | 7.2 | − 0.6 |
| All others | 1.4 | 2.1 | + 0.7 |

On balance this group probably reduced its holdings of rails by as much as 50 per cent, with a smaller reduction in their holdings of other securities.

## SHORT-TERM CREDITS

During the War, shifts in America's foreign trade brought some shifts in the country's short-term indebtedness. Available data show that after 1914 short-term debts to Europe were increased by deposits made for war purposes, but that these were drawn down to approximately the pre-war level within a year after hostilities had ended. Meantime, an increased volume of short-term commercial debts had been incurred in other parts of the world. The net result was that the aggregate amount of this class of indebtedness was increased from roughly 450 million dollars at the beginning of the War to approximately 800 millions at the close of 1919.

[22] The *Chronicle*, Aug. 11, 1917, p. 549; Oct. 12, 1918, pp. 1432-33.

The bulk of our war-time exports went to Europe, while imports from the Orient and from South America were taken in increasing amounts. With the growth of imports from Japan, and with payment by means of gold shipments prohibited, Japanese credits accumulated in New York banks. A relatively small portion of such funds was invested in the security markets. The greater part was put at the disposal of Great Britain, or bought up by the Japanese government. By the end of January 1918 not less than 100 million dollars had thus been loaned to the British treasury and used for the purchase of American goods. During the succeeding nine months, additional accumulations of about 200 million dollars had been bought up by the Japanese government and left to their credit in the United States. Such balances reached their peak at the end of 1919, and were reduced thereafter as world trade began readjusting to post-war conditions.[23]

In a similar way claims against the United States accumulated to the credit of the Argentine government. American business men made payment for their Argentine imports by deposits to the credit of the Argentine government's account with the Federal Reserve Bank of New York. After reaching a total of about 97 million dollars late in 1918, the account was scaled down by about 20 million dollars in 1919 and fully repaid the following year.[24] By the same mechanism a 20 million dollar commercial credit was extended to the United States by the Uruguayan government and a 4.5 million dollar credit

[23] Harold G. Moulton, *Japan* (1931), pp. 286-91, 539; the *Chronicle*, Aug. 11, 1917, p. 549; and 1918: Jan. 26, p. 337; Aug. 24, p. 743; Oct. 12, p. 1423.

[24] The *Chronicle*, 1918: Jan. 12, p. 129, Jan. 26, p. 339, May 11, p. 1952, June 15, p. 2495; and 1920: June 5, p. 2340, June 12, p. 2437; *Annual Report of the Federal Reserve Board*, 1919, p. 324, and 1920, p. 391.

by Bolivia in 1918. Both loans were repaid the following year.[25]

So long as gold shipments were permitted, Spain received payment in gold for a large part of the important war materials she furnished the United States, but after the embargo was imposed, war purchases in Spain also necessitated American borrowing. During the latter part of 1918 bank credits amounting to 250 million pesetas, or about 50 million dollars, were made available to the American government—on the deposit of American treasury bonds and the guarantee of the American bankers arranging the transaction. This short-term debt was repaid the latter part of 1919 and the spring of 1920.[26] The purchase of the Virgin Islands from Denmark early in 1917 put funds at that country's disposal.[27] And in 1919 the proceeds of a 10 million dollar loan to the Philippine Islands were left in this country to the credit of the Insular Treasurer.[28]

Throughout the War the allied governments deposited with American banks the unexpended balances of the loans advanced to them by the United States treasury. Standing to the account of the French government were also the dollars made available by the United States government in return for French francs used in paying the expenses of the American Army abroad. Various neutral nations of Europe also accumulated funds here, representing payments received for shipping and other services and goods they had furnished the United

[25] The *Chronicle*, July 6, 1918, p. 17; Aug. 13, 1921, pp. xxv, 680.

[26] The same, Aug. 11, 1917, p. 549; 1918: Oct. 26, p. 1612, Nov. 16, p. 1872; *The Fitch Record of Government Finances*, 1918, p. 359; *Annual Report of the Federal Reserve Board*, 1919, p. 323, and 1920, p. 391. Only 155 million pesetas were actually used. *Federal Reserve Bulletin*, December 1921, p. 1409.

[27] The *Chronicle*, Aug. 11, 1917, p. 549.

[28] The same, May 10, 1919, p. 1874.

States. The proceeds of some Canadian loans were deposited with banks in the United States in anticipation of payments to be made for American exports. Mexican deposits were also of sizeable proportions, and smaller amounts were held for the account of many countries throughout the world.

Figures compiled by the Federal Reserve Board show that on June 25, 1919 short-term indebtedness to foreigners amounted to 1,049 million dollars, of which 644 millions were payable to Europeans and 405 millions to all other creditors.[29] During the latter part of the year and the early part of 1920, these were drawn down by foreigners who were paying off some of their war-time indebtedness. An unofficial investigation—in which the principal banks of New York and Boston, and members of the American Manufacturers Export Association, and of the Exporters and Importers Association cooperated—showed that on July 1, 1920 the total of this short-term indebtedness to foreigners had been reduced to 500 million dollars: 238 millions payable in Europe, and 262 millions in countries elsewhere.[30] Similar data have not been published for the close of 1919, but judging from the trends indicated in paragraphs above and from Federal Reserve Board figures showing the reduction in these balances during the first half of 1919,[31] the total outstanding at the end of December 1919 probably

[29] *Federal Reserve Bulletin*, December 1921, p. 1410. The *Bulletin* states that these figures cover practically all transactions and bank balances except the peseta debt to Spain and some other comparatively insignificant holdings and remittances which were not reported. The same, pp. 1262, 1401, 1409.

[30] From an article by John H. Williams, published in the *Journal of the American Bankers Association*, August 1922, and reprinted in the *Chronicle*, Aug. 19, 1922, p. 839.

[31] On Dec. 31, 1918 the figures were as follows: total outstanding, 1,214 million dollars; payable in Europe, 831 millions; payable elsewhere, 383 millions. *Federal Reserve Bulletin*, December 1921, p. 1409.

amounted to 800 million dollars, of which the European portion approximated 425 million dollars, and the non-European about 375 millions.

For all countries combined, foreign holdings of the various securities issued by American corporations were reduced from a total of roughly 5.4 billion dollars in the summer of 1914 to about 1.6 billions in 1919. Direct investments were reduced from approximately 1.3 billions to 900 millions. Short-term credits payable to foreigners increased from 450 millions in 1914 to about 800 millions in 1919. Sequestrated property in the United States, held by the Alien Property Custodian for the account of foreigners (a new category of foreign claims that came into existence during the War), amounted to approximately 662 million dollars at the close of 1919.

In short, during the course of four and a half War years, America's foreign creditors had "collected" some 3 billion dollars of their former claims, reducing them from a total of 7.2 billion dollars in the summer of 1914 to approximately 4 billions, all classes of indebtedness included, at the close of 1919.

## CHAPTER VII

# FOREIGN LIABILITIES OF POST-WAR AMERICA

At the close of 1936 the aggregate amount of all foreign claims against Americans stood about 6 per cent higher than in midsummer 1914. The net change, therefore, was small—though there had been wide fluctuations during the intervening 22 eventful years of war-time liquidation, post-war speculation, depression, and recovery. During the first half of 1937 the inflow of foreign funds has continued. In character, the new aggregation of indebtedness is different from the old, reflecting a marked change in the attitude of foreigners toward various classes of investments. Shifts have also taken place in the relative standing of some creditor countries.

### AMERICAN SECURITIES HELD ABROAD, 1934 AND 1936

Of the three types of claims held by foreigners, the principal one, in terms of the aggregate amounts involved, is the foreign-owned portfolio of American securities. The relative importance of this group is indicated by summary data below—in millions of dollars.

| | Dec. 31 1936 | Dec. 31 1934 | June 30 1914 |
|---|---|---|---|
| Portfolio holdings | 4,468 | 2,839 | 5,440 |
| Direct investments | 1,640 | 1,518 | 1,310 |
| Short-term credits | 1,530 | 614 | 450 |
| All foreign investments in the United States | 7,638 | 4,971 | 7,200 |

In the two post-war years the foreign-owned portfolio of American securities amounted to approximately the

same fraction of the total—58 per cent in 1936, and 57 per cent in 1934.[1] However, in terms of dollar values, the 1936 portfolio and total were both much larger than those for 1934, the two-year increases amounting to 1.6 billion dollars and 2.7 billions respectively.

Common stocks have in recent post-war years constituted much the largest part of the American securities held abroad. End-of-year figures (given below in millions of dollars) also show that common stocks were responsible for practically all of the increase in foreign portfolio holdings from 1934 to 1936, and for well over half of the change in total foreign investments in the United States.

| Portfolio Holdings | 1936 | 1934 |
|---|---|---|
| Common stocks (market value) | 2,700 | 1,202 |
| Preferred stocks (par value) | 455 | 351 |
| Bonds (par value) | 563 | 536 |
| Miscellaneous[2] | 750 | 750 |
| Total portfolio | 4,468 | 2,839 |

For common stocks this increase amounted to 1.5 billion dollars, as compared with a 1.6 billion dollar increase in the portfolio as a whole.

In reading the figures given here, account must be taken of the fact that they report common stocks at market values, preferred stocks and bonds at par. The 1.5 billion dollar increase shown for common stocks thus resulted from two influences: (1) an increase in the

[1] For 1914 the corresponding ratio was about 75 per cent. The figures for 1914 are from the more detailed table in App. B, p. 558.

[2] This includes trustee investments administered for foreign beneficiaries, foreign holdings of real estate, of urban and agricultural mortgages, and of government bonds, including federal, state, and municipal obligations. While some of these items should be classified as direct investments, the larger part of the total appears to be portfolio in character. U. S. Dept. of Commerce, *Foreign Investments in the United States* (1937), p. 20.

number of common shares held abroad; and (2) an appreciation in stock prices during the two-year period. Collateral evidence indicated that more than half of the 1.5 billion dollar increase represented the net amount that foreigners paid for the common stocks they acquired during the two-year period. The rest reflected the market rise in common stocks. The reported net inflow of foreign funds into American stocks and bonds in the two years was 920 million dollars—the greater part of which was invested in common stocks—and only a small proportion in preferred stocks and bonds.[3]

Details concerning the industrial character of foreign holdings are shown by the table below.

FOREIGN HOLDINGS OF AMERICAN SECURITIES, DECEMBER 1934[a]
(In millions of dollars)

| Industry | Common Stock (At market) | Preferred Stock (Par) | Bonds (Par) | Miscellaneous | Total |
|---|---|---|---|---|---|
| Manufacturing..... | 601 | 114 | 28 | ... | 743 |
| Public utilities.... | 198 | 95 | 215 | ... | 508 |
| Railways......... | 110 | 80 | 254 | ... | 444 |
| Petroleum......... | 113 | 12 | 4 | ... | 129 |
| Finance........... | 58 | 25 | 5 | ... | 88 |
| Mining............ | 69 | 8 | 9 | ... | 86 |
| Retail and wholesale distribution...... | 45 | 11 | 1 | .. | 57 |
| Other investments.. | 8 | 6 | 20 | 750 | 784 |
| Total........ | 1,202 | 351 | 536 | 750 | 2,839 |

[a] U. S. Dept. of Commerce, *Foreign Investments in the United States*, p. 19.

Among the stocks in the foreign portfolio, approximately half of the common and a third of the preferred are issues of manufacturing concerns. The greater part of the bonds are railway and public utility company obligations.

[3] U. S. Dept. of Commerce, *The Balance of International Payments of the United States*, 1936, p. 59. According to the summary data on p. 132 above, the increase in foreign holdings of preferred stocks and bonds

While the data given are for 1934, and similar details are not available for other years, present information indicates that the distribution by industries has not changed greatly since 1934.

In the foreign-owned portfolio as a whole, the investment in manufacturing is shown to be larger than in any other industrial group. Public utilities rank second. Ranking third are the rails, the pre-war favorites that in 1914 made up more than two-thirds of all foreign holdings of American securities. Other industries are represented, but in considerably smaller amounts.

## POST-WAR SHIFTS INTO COMMON STOCKS

When the 1934 portfolio is compared with that for 1914 it indicates that foreigners have lost their pre-war predilection for American bonds and have greatly increased their purchases of common stocks. Railway bonds, in particular, have lost favor with foreign investors. The sharp liquidation of railway bonds that began in 1914 did not come to an end with the signing of the peace treaty. On the contrary, it has continued throughout the post-war period, so that in 1934 foreign holdings of rail bonds amounted to only 254 million dollars, or 9 per cent of the portfolio, as compared with approximately 2.8 billions, or 50 per cent, in 1914.[4]

Foreign holdings of railway stocks, both common and preferred, were also resold in the United States in large amounts during the War, but the liquidation of stocks practically came to an end in 1920. This is shown by the chart on page 136 where war and post-war holdings of

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was 131 million dollars. Being in par value terms, however, this figure shows the change in the contractual amount of America's foreign obligations during the period, but not the amount that foreigners paid for such securities.

[4] Figures for 1914 are given in somewhat more detail on p. 134 below.

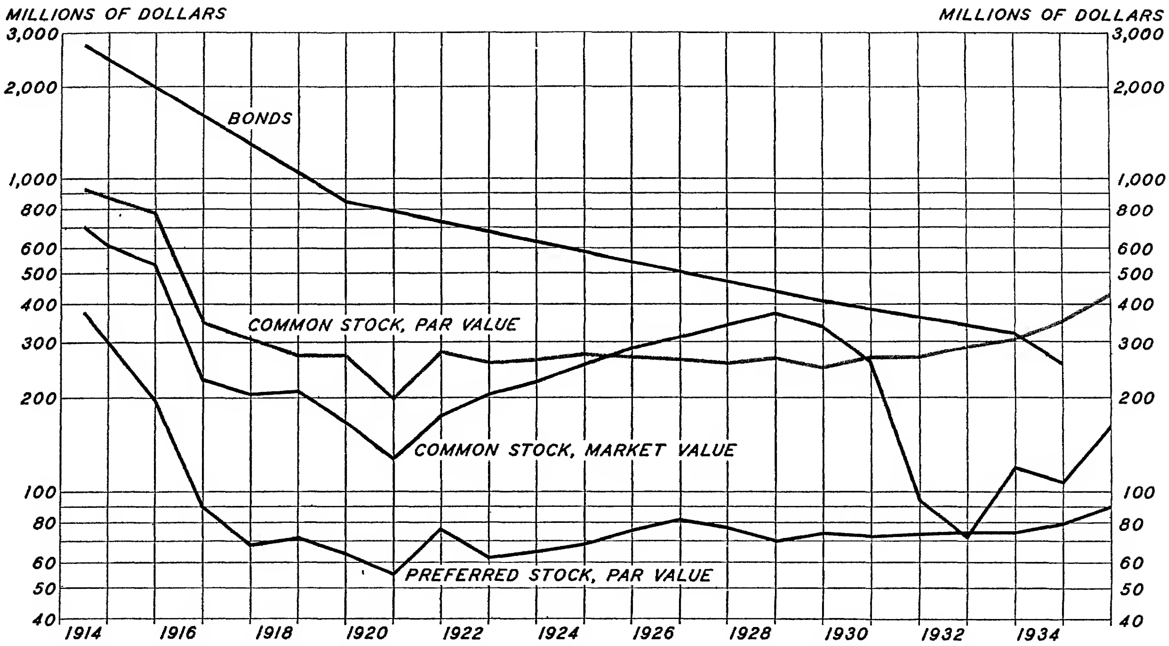
common shares are plotted in terms of market values, and also of par; while preferred stocks and bonds are given in par values only. The curve for common stock par values pictures the general trend of foreign holdings, while the fluctuations in the curve for common stock market values result primarily from changes in stock prices.

According to the chart, foreigners purchased both common and preferred stocks in sizeable amounts in 1921. Thereafter their holdings of common shares remained relatively stable until 1930 when the drastic decline in stock prices encouraged considerable accumulation of common shares and some purchases of preferred. In terms of market values, foreign holdings of common shares reached a post-war peak in 1928 and thereafter declined sharply to a low in 1932, although some foreign purchases had been made in the intervening years.[5] Since then the recovery in prices has been marked. At the close of 1935, however, despite continued purchases of common stock, the market value of foreign holdings was less than 45 per cent of what it had been in 1928.

Industrial bonds, like rail bonds, were liquidated by foreign holders during the War, and in 1934 amounted to a smaller proportion of the foreign-held portfolio than in 1914. In lieu of detailed data showing the value of non-rail bonds held abroad in 1914, the sample represented by the *Report of the American Dollar Securities Committee* will serve as a basis for comparison with 1934. Among the securities that British investors turned over to the Committee during the War, all American bonds other than rails amounted to 209 million dollars; stocks, 105 millions; or a 2 to 1 ratio. In the 1934 port-

[5] The curve for preferred stock shows a peak at the end of 1926, but this may reflect the smallness of the sample rather than the general movement in foreign holdings.

FOREIGN HOLDINGS OF AMERICAN RAILWAY SECURITIES, 1914-35[a]




[a] Data for share holdings are from U. S. Dept. of Commerce, *Foreign Investments in the United States*, pp. 104 and 107.

folio total, the comparable figures are: bonds, 282 millions; stocks, 1,443 millions; or a 1 to 5 ratio. If the Dollar Committee data are assumed to be representative of the whole pre-war portfolio, it may be estimated that from 1914 to 1934 foreign-owned non-rail bonds declined from roughly 1 billion dollars to 282 millions; while stocks increased from about 500 millions to 1,443 millions.[6]

The chart on page 138 shows the course of foreign liquidation and post-war accumulation of the common shares of three large non-rail corporations, one of them organized in 1920. In general it seems to give a fairly reliable indication of the direction of year-to-year changes in the whole group of foreign-held shares other than rails.[7] The sample covered is too small, however, to serve as a basis for annual estimates of the value of all non-rail shares held abroad. In fact, in recent years the foreign portfolio of American shares has included many companies not known abroad or non-existent in 1914. An adequate sample should, therefore, be heavily weighted with such "post-war companies."[8] As it stands the chart indicates that foreign selling of common stocks had come to an end by the close of 1923, and that thereafter the trend was upward.[9]

The large post-war shift from bonds to shares is

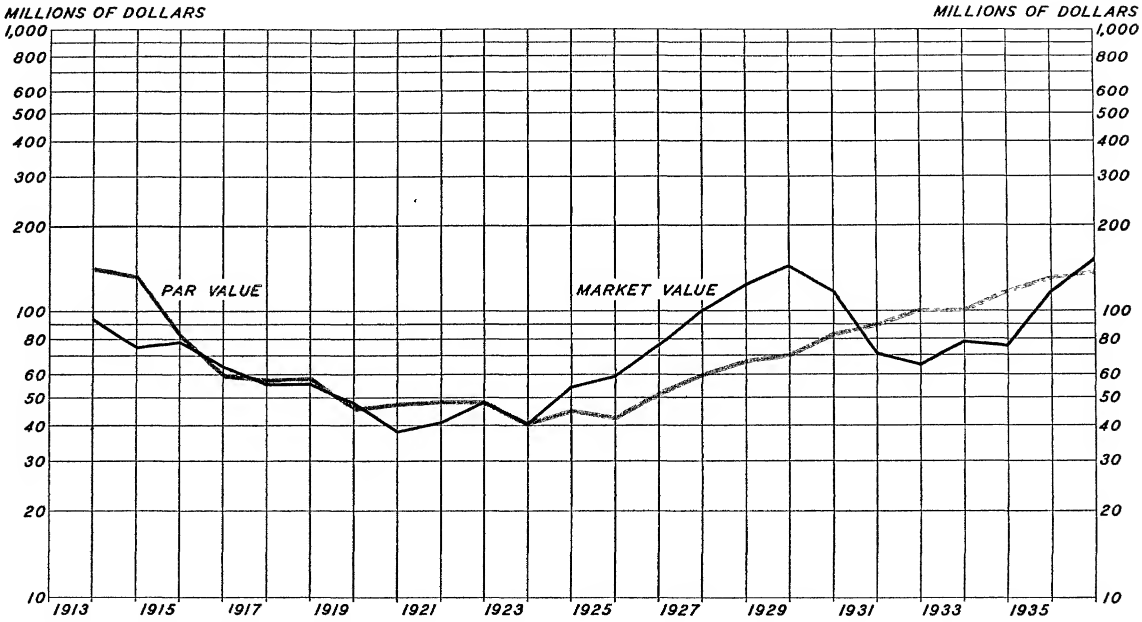
[6] These rough estimates for 1914 are based on the summary table in App. B, p. 558.

[7] This statement is based on evidence furnished by larger samples covering shorter periods.

[8] If the one "post-war company" included in the sample above were given a weight of 2, 3, or more, thereby tipping the curves up sharply after 1920, though not greatly changing their general outline, the chart would give a more nearly accurate picture of the trend of foreign holdings of non-rail common shares.

[9] As might be expected, the shares of some companies went against the trend. For example, foreign holdings of United States Steel common, one of the stocks included in the chart, continued to decline until the end of 1925.

## FOREIGN-HELD COMMON SHARES OF THREE NON-RAIL CORPORATIONS, 1913-36[a]




[a] From data compiled by the U. S. Dept. of Commerce.

attributable to various factors. It may be explained in part by the fact that before the War European bankers undertook the direct flotation of the greater part of the American securities sold in European markets. The conservatism of the European banker turned his choice to bonds, while American interests found in stock issues an excellent medium for speculation and control. Since foreign investors bought their American securities largely on the advice of their bankers and not on personal knowledge of the borrowing corporations, they bought the bond issues that their bankers were putting on the market.[10]

In the post-war period, the development of the American capital market has made it possible for American investment houses to handle the flotation of both bond and stock issues. Hence very few new issues found their way abroad.[11] Moreover, there has been a considerable increase in the number of shares offered in the market. As pre-war bonds have matured, many of them have been paid off from the proceeds of new stock issues, and many new corporations have financed their needs through the sale of shares, rather than bonds. Meanwhile, international currency and exchange considerations have recommended American securities to foreign

[10] An analysis of the securities listed in the Dollar Committee *Report*, covering the portion issued from 1897 through 1914, shows that in terms of par values a little more than 75 per cent of the total were issued or listed abroad. Of the securities issued or listed abroad, 71 per cent were bonds; while of those issued and listed in the United States alone, 69 per cent were bonds. These figures throw light on the composition of pre-war foreign holdings, without making any important contribution to an understanding of the indicated preference for bonds. They are given in dollar terms in App. B, pp. 538-41.

[11] The borrowing of some 32 million dollars in the Netherlands in 1923 was one of the exceptions. U. S. Dept. of Commerce, *The Balance of International Payments of the United States*, 1923, p. 14.

investors, and have emphasized the wider speculative advantages of equity holdings in comparison with securities yielding fixed rates of return.

## FOREIGN-CONTROLLED ENTERPRISES, 1934

Foreign direct investments in the United States amounted to 1,518 million dollars in 1934, with manufacturing investments making up about one-third of the total, and finance and transportation companies ranking second and third in importance. The investment in each of the several industrial groups at the close of 1934 is shown in more detail by the data below.[12]

| Direct Investments, December 1934 | Millions of Dollars | |
|---|---|---|
| Manufacturing: | | |
| Textiles and textile products | 206.2 | |
| Chemicals, medicinals, paints, cosmetics | 129.1 | |
| Food products, tobacco, and beverages | 77.2 | |
| Machinery and manufacturing equipment | 36.6 | |
| Hardware, tools, and other metal products | 20.0 | |
| Paper and wood products | 17.4 | |
| Building and construction materials | 12.7 | |
| Heating and electrical equipment | 9.9 | |
| Iron and steel | 3.0 | |
| Other manufacturing | 52.7 | 564.8 |
| Finance: | | |
| Insurance | 312.7 | |
| Banks, trust companies, etc. | 47.0 | 359.7 |
| Transportation | | 245.6 |
| Petroleum | | 207.0 |
| Distribution | | 86.4 |
| Mining | | 34.8 |
| Public utilities | | 8.0 |
| Miscellaneous | | 12.2 |
| Total | | 1,518.5 |

[12] U. S. Dept. of Commerce, *Foreign Investments in the United States*, p. 32.

By the close of 1936 the total had increased to 1,640 million dollars, a growth of 122 million dollars, in two years. Almost half of this increase was represented by net equity investments of foreign insurance companies in their United States branches and affiliates. The rest was largely accounted for by additions to surplus (out of earnings) by the American subsidiaries of foreign companies of other types.

The post-war total of direct investments is made up of remnants of pre-war holdings plus new companies established, or controlling interests acquired, since 1919 —with an offsetting allowance for enterprises sold to Americans or otherwise liquidated since the War. British and Canadian investors at the close of the War still retained control of the greater part of their pre-war enterprises. This was also true of the Dutch and various other neutral nations. The French, on the other hand, had sold most of theirs; while the investments of the Germans and other enemy nations were either sold by them or taken over by the American government.

In the early 1920's there were some important mergers of foreign-controlled and American concerns. These resulted in a closer cooperation between American and foreign capital, and some changes in the character of foreign direct investments; but not in the elimination of foreign interests. For example, the properties of two Belgian-controlled companies, the Solvay Process Co. and Semet Solvay, were included in the Allied Chemical & Dye merger of 1920. In the course of the stock transfers involved, foreigners acquired more than a 20 per cent interest in the new corporation, their share in the management of the company being represented by three foreign members on the twelve-member board of directors.[13] The Arizona Copper Co., Ltd., a Scotch company

[13] More details are given in footnote b, p. 566 below.

that had been mining copper in the United States since 1882, sold its properties to the Phelps Dodge Corporation in 1921 in exchange for Phelps Dodge shares valued at about 6 million dollars, a block large enough to give the foreign company a voice in Phelps Dodge management.

In 1920 the British added a number of new direct investments to those they already held. The Amerada Corporation, with an original investment of 1.5 million dollars,[14] was organized by Lord Cowdry to operate in the mid-continent oil field. A 36 million dollar block of General Motors common stock was bought by Explosives Trades, Ltd. A one million dollar subsidiary of Ideal Sewing Machine Co. was established. Subsidiaries of Dunlop Tires and Rolls-Royce, Ltd., were formed in 1919 but their investments in buildings and equipment were made in the following two years. French interests acquired a large block of duPont stock in exchange for their viscose rayon process, and increased their holdings three years later in exchange for cellophane patents. Revillon Frères of Paris incorporated a subsidiary in New York.

In 1921 Americans joined with a Belgian group in organizing the Belgian American Coke Ovens Corporation, with a British concern in forming the Hadfield Penfield Steel Company, and with the Germans in 1923 in the Goodyear-Zeppelin Corporation. Also in 1923, Etablissements Francois Nasurel Frères bought a Rhode Island textile mill, and the following year the Wellman-Smith-Owen Engineering Corp. of London bought almost a half interest in a Cleveland, Ohio concern. A French manufacturer of cosmetics, formed its American subsidiary, Coty, Inc., in 1922.

[14] Reorganized six years later, with a majority of its shareholders American citizens.

In 1925, Swiss makers of electrical locomotives, Brown, Boveri & Co., entered the American field with an initial investment of some 35 million dollars. The American Bemberg Corporation, a rayon manufacturing company with 7 million dollars of issued stocks and bonds, was formed by German and Dutch capitalists.

During the latter half of the twenties foreigners establishing new enterprises in the United States were principally interested in artificial silk and chemicals. They also purchased some large blocks of utility, talking machine, and automobile securities, and acquired a number of existing American concerns. After the repeal of the Eighteenth Amendment, liquor investments predominated, acquired principally by the Canadians and British.

Taken as a whole, some 176 of the foreign-controlled companies operating in the United States in 1935 represented survivors of companies established during the sixteen post-war years 1920-35. This compares with a total of 339 survivors remaining in 1935 out of all the foreign direct investments placed in the United States since the beginning of the country's history.[15] Of the 176 post-war enterprises, 82 were engaged in manufacturing, 43 were branches or affiliates of foreign insurance companies, 24 were selling organizations, and the rest were engaged in various other activities. Some 61 were British and 50 were Canadian. Aside from the Canadian companies, only 7 were non-European, all 7 being insurance company branches or affiliates.[16]

### POST-WAR SHORT-TERM CREDITS

By definition, short-term credits include the foreign funds placed on deposit with bankers and brokers in

[15] The earliest one of these survivors dated back to 1804.

[16] These figures are from U. S. Dept. of Commerce, *Foreign Investments in the United States*, pp. 41, 43.

the United States and the credits extended to American importers by foreign banks, manufacturers, and commercial concerns. In normal times they are part of the world's supply of short-term working capital whose principal function is the financing of international trade. At present, however, when frightened capital is seeking a temporary refuge in the United States from losses of various kinds that are threatened in other countries, the foreign deposits placed with American banks are considerably in excess of trade requirements. These deposits with bankers and brokers constitute the most volatile class of foreign holdings.

To a considerable extent fluctuations in this type of foreign investment measure the changing sentiment of foreigners concerning economic and political conditions in the United States as compared with other countries. The item increases in amount in periods of speculative booms, and increases or decreases with a flight of capital to or from the United States. It also increases with the flotation of long-term loans to foreigners, while the proceeds of the loans are held in American banks awaiting transfer to the borrowers. The figures given below, in millions of dollars, roughly indicate changes in the item during the post-war period, and also furnish a comparison with 1914, although the data given are not strictly comparable for all of the years included.[17]

| | |
|---|---|
| 1914, mid-year | 450-500 |
| 1920, July 1 | 500 |
| 1921, " 1 | 279 |

[17] For 1920 and 1921 the data are from figures compiled by John H. Williams, the *Commercial and Financial Chronicle*, Aug. 19, 1922, p. 839. Date for 1924-33 are from U. S. Dept. of Commerce, *The Balance of International Payments of the United States*, 1925, p. 25; 1931, p. 62; 1935, p. 50; and for 1934-June 1937, from the U. S. Treasury Dept., "Statistics of Capital Movements," *Report No. 4* (1937), p. 9. Figures reported by the Treasury include only two cate-

| | |
|---|---|
| 1924, December 31 | 909 |
| 1925, " | 848 |
| 1929, " | 3,077 |
| 1930, " | 2,737 |
| 1931, " | 1,465 |
| 1932, " | 870 |
| 1933, " | 487 |
| 1934, " | 614 |
| 1935, " | 1,220 |
| 1936, " | 1,530 |
| 1937, June 30 | 2,208 |

The two extremes shown by these figures since 1921 are the 1929 high, and the 1933 low. At the middle of 1937, the latest date for which figures are available, the item stood at 70 per cent of the high shown for the end of 1929, and was four and a half times the 1933 low.

The post-war bank balances of foreigners grew with the flotation of foreign loans in the American market. Those for December 1924 and 1925 undoubtedly were made up in part of the untransferred portions of such loans. During the late twenties the stock market boom was an even more important factor, the high rates paid for call money encouraging the accumulation of foreign funds. With the break in the market and the loss of confidence that paralleled the course of the depression, they were drawn down until they reached a working minimum in 1933, at approximately the pre-war level.

The gradual restoration of confidence in the American situation—under way since 1933—has coincided with unsettling threats of war and other impending political and economic difficulties in various parts of the world. Both influences have encouraged the inflow of foreign capital, and the concomitant large inflow of gold, into the United States. During the two years ending December 1936, foreign balances in American banks showed

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gories of foreign short-term credits: namely, bank balances and credit balances left with American brokers.

an increase of 150 per cent; and over the two and a half years ending in the middle of 1937, the increase amounted to 250 per cent.[18] That the yield on such deposits is currently at very low rates appears to be a deterrent factor of little importance to foreign capital —for the present objective obviously is safety, rather than profit.

## THE CREDITOR COUNTRIES, 1934 AND 1936

In the post-war period Britain has remained America's principal creditor—although British investments in the United States in 1936 were less than half as great as

America's Foreign Creditors, 1934 and 1936[a]
(Investments, in millions of dollars)

| Creditors | 1934 | | | | 1936 | | | |
|---|---|---|---|---|---|---|---|---|
| | Portfolio | Direct | Short Credits | Total | Portfolio | Direct | Short Credits | Total |
| Canada | 640 | 367 | 102 | 1,109 | 1,005 | 403 | 190 | 1,598 |
| United Kingdom | 619 | 678 | 81 | 1,378 | 974 | 737 | 246 | 1,957 |
| France | 202 | 24 | 38 | 264 | 317 | 27 | 183 | 527 |
| Netherlands | 489 | 224 | 14 | 727 | 768 | 234 | 82 | 1,084 |
| Switzerland | 257 | 91 | 15 | 363 | 407 | 97 | 132 | 636 |
| Other Europe | 167 | 68 | 97 | 332 | 264 | 72 | 202 | 538 |
| Latin America | 34 | 6 | 124 | 164 | 54 | 7 | 266 | 327 |
| All others | 431 | 60 | 143 | 634 | 679 | 63 | 229 | 971 |
| Total | 2,839 | 1,518 | 614 | 4,971 | 4,468 | 1,640 | 1,530 | 7,638 |

[a] Direct and portfolio data are from U. S. Dept. of Commerce, *Foreign Investments in the United States*, p. 14. For 1936 the data for direct investments were supplied by the Dept. of Commerce. Available evidence indicates that the geographic distribution of the 1936 portfolio, on a percentage basis, was approximately the same as in 1934, and the total has been prorated accordingly. Short credit data, which include bank deposits and brokerage balances, from U. S. Treasury Dept., "Statistics of Capital Movements," *Report No. 4*, p. 9.

in 1915. Our northern neighbor, Canada, has recently become the creditor of second importance, with total in-

[18] A negligible part of the total represented credit balances with American brokers.

vestments almost as great as those of the United Kingdom. The Netherlands now, as in pre-war years, continues to be the third largest foreign holder of American securities and direct investments. Together these three countries accounted for 60 per cent of all long and short-term foreign investments in the United States. Detailed figures for the several creditor countries are given on page 146 for the two years 1934 and 1936.

The United Kingdom in 1936 accounted for 22 per cent of the foreign-owned portfolio; 45 per cent of the foreign direct investments; and 25½ per cent of all long and short-term foreign holdings. For Canada the comparable percentages were 22½, 24½, and 21 per cent; and for the Netherlands, 17, 14, and 14 per cent.

### "HOT MONEY," 1937

The discussion and data above briefly summarize all foreign investments in the United States at the close of 1936. By the middle of 1937, changes in the short-term credit item and in security holdings had increased the total by a net amount of some 569 million dollars; foreign bank and brokerage balances during the six months had increased by 678 million dollars. Foreign expenditures for American stocks and bonds had aggregated 152 millions. Meantime, a decline in stock prices had reduced the value of foreign-owned common stocks by about 261 millions—with a corresponding decrease in the total of all foreign investments.[19] With allowance made for these changes in the items, the total on July 1, 1937 stood at roughly 8.2 billion dollars. Since then there has been a further decline in stock prices, and a

[19] Aggregate security purchases of 152 million dollars probably added more than this amount to the portfolio, since bonds and preferred stocks are included in the total at par values, rather than at cost. Common stocks, however, are included at market prices.

corresponding decline in the value of common stocks held abroad, but the indications are that there have also been some offsetting increases in short-term credits, with the total at the close of September 1937 not far from the figure reached at the middle of the year.

This foreign investment of some 8.2 billion dollars represents the "hot money" of current discussions. In comparison with the pre-war aggregate of 7.2 billions it would scarcely seem large enough to merit the wide attention it receives. Viewed in terms of the changing character of the investment, rather than its global amount, however, the disturbing possibilities of the present situation are more clearly defined. The two post-war changes of importance in this connection are the substitution of common stocks for bonds in the foreign portfolio, and the large accumulation of foreign deposits in American banks.

The shift in foreign holdings from bonds to common stocks represents a shift from a more stable price group to one in which prices normally swing through a much wider range. If foreign holders, as an investment group, are more temperamental than American investors and speculators, if they are more readily stampeded into action, then this change may prove an unsettling factor in the American stock market. But this hypothesis finds little if any support from the scanty evidence available, and on the whole there appears to be little factual basis for the present anxiety with regard to foreign acquisitions of common stocks[20]—although the question may well be considered open for future investigation.

[20] With regard to the break in stock prices that began in the middle of August 1937, Winthrop W. Aldrich, board chairman of the Chase National Bank, said: "Over the whole period from August 4 to September 29, however, foreigners bought more than they sold. Foreign buying or

The short-term balances now held in American banks to the credit of foreigners are made up principally of frightened capital that has come here for temporary safe-keeping. They are subject to withdrawal on short notice and, with the exception of a working minimum for trade purposes, will probably be taken out of the country when foreign conditions become more stable. Their accumulation here was paralleled by a large inflow of gold, and presumably their exit from the country will be marked by an outflow of the metal. This is the element in the situation that may contain a threat for the future, and therefore is a matter of concern for the responsible agencies and officials in the United States.

If these transitory foreign funds should be allowed to become part of the country's credit structure, and furnish the basis for a proportional expansion of the volume of credit, their sudden withdrawal in substantial amounts would almost certainly precipitate a financial disturbance of serious proportions.[21] So long as our banking system is operating on the basis of a large volume of excess reserves, however, withdrawals of foreign funds would merely bring about a reduction of these reserves, without

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selling, moreover, was at no time large in volume during this break" (*Wall Street Journal*, Oct. 15, 1937, p. 10).

The charts on pp. 136 and 138 above indicate that there was no important amount of foreign selling during the stock market decline of 1929-32.

The 2.7 billion dollar foreign investment in common stocks at the close of 1936 (not all of which are registered on the New York Stock Exchange), and the 2.5 billions for the middle of 1937, may be compared respectively with valuations of 51.2 billions and 47.0 billions for all American common stocks listed on the Exchange (all figures being given in market values).

[21] When short-term funds were withdrawn from Germany and Austria in 1931, those countries were drained of gold that was serving as reserves for their paper currencies and other forms of bank credit; hence the disastrous consequences that followed.

contracting the volume of effective credit. Moreover, devices such as the gold sterilization plan now employed by the government provide a direct shock absorber as regards the possible withdrawal of foreign funds. With a sufficient supply of gold thus held ready for meeting the demands of foreign depositors, the repatriation of these balances should not prove difficult. But meantime the task of thus holding gold in excess bank reserves, or in the inactive gold fund of the treasury, presents some troublesome administrative problems.

CHAPTER VIII

# A CENTURY AND A HALF OF "BORROWING" ABROAD

For more than a century and a half America has been supplied with foreign funds—funds that were eagerly sought and brought in by many American borrowers in the pre-war period, though in the post-war period they have come in without urging and have been accorded slight welcome. The body of foreign claims thus accumulating against the American economy was looked upon with suspicion and disfavor, even in early decades. The fear was ever present, and frequently expressed, that foreigners were acquiring too large a share in the control of American business, and an undue portion of the nation's income. Individual borrowers, finding their debt service a heavy burden, also complained against the onerous terms exacted by foreign lenders. At the same time, the lenders pointed out the losses they had suffered through lending to those "perfidious United States."

## FOREIGN INDEBTEDNESS AND NATIONAL WEALTH

When the Treaty of 1783 formally acknowledged America's admission into the family of "free, sovereign, and independent states," the recognized claims of foreigners against the government and people of the country aggregated 9.2 million dollars.[1] This was a paltry sum even for that day. In fact, it was 2.5 million dollars less than the damages assessed against Great

[1] The Revolutionary War debt to France, Holland, and Spain amounted to 6.5 millions and the private debts assumed by the national government under the Jay Treaty of 1794 amounted to 2.7 millions.

Britain under the Jay Treaty of 1794[2] for losses inflicted on American shipping during the decade that followed the conclusion of the Revolutionary War.

By 1803 the country's foreign obligations of all kinds had increased to approximately 75 million dollars,[3] and by 1843 were not less than 225 millions. A fourteen-fold increase had raised them to 3.4 billion dollars by the end of the century, and at the outbreak of the World War they had reached a peak figure of 7.2 billions. During the War they dropped sharply, rounded a low in 1920 and again turned upward, reaching an all-time high of almost 9 billion dollars in 1929—an estimate that, like the others given here, includes all types of long and short-term foreign investments. Following the depression decline and four years of recovery, the corresponding aggregation of foreign claims against the American economy stood at 7.6 billion dollars (at the close of 1936); and by July 1, 1937 amounted to approximately 8.2 billions.

No estimates have been published showing the valuation the founding fathers would have placed on the national wealth of the United States during the country's earliest years. At a later date the figure for 1790 was estimated at 750 million dollars, and for 1840 was "officially" estimated at 3,764 millions.[4] According to

[2] The actual award was not made until 1804.

[3] Of this, the amount payable by the federal government was 52.2 million dollars, itemized as follows: foreign debts contracted by the government, 8.7 millions; domestic debt held abroad, 32.1 millions; debt due Beaumarchais, 150 thousand dollars; Louisiana purchase loan, 11.3 millions. The remaining indebtedness of some 23 million dollars, more or less, represented short-term debts of American merchants.

[4] Cited in *Fenn on the Funds*, 1867, pp. 477-78. This appears to have been based on the official valuation of taxable property in some of the states. In 1837 the aggregate valuation placed on such property in the six states—New York, Pennsylvania, Virginia, Ohio, Indiana, and Kentucky—was 1.6 billion dollars as compared with 3.2 billions in 1852.

the first census of national wealth, the total in 1850 was 7.1 billion dollars—or 100 million dollars less than the aggregate amount owed to foreigners in the summer of 1914. At the outbreak of the World War the wealth of the country had increased to about 212 billion dollars, or almost a thirty-fold increase in 64 years. For 1929 it was estimated at about 460 billions, and for 1936, after there had been some recovery from the depression, at 300 billions.

The growth of America's foreign indebtedness and national wealth, and the relationships between them, are shown in the chart below. This is drawn to a ratio scale, so that a given vertical distance on any part of the "measured surface" of the chart indicates a uniform rate of change in the data represented. Thus, the fairly constant distance between the two curves prior to 1914 indicates that both were increasing at about the same average rate. The data for both curves are, of course, very rough and not fully comparable from one period to another;[5] but if corrections could be made for various known discrepancies, the revised curves would be more nearly parallel than those shown in the chart.

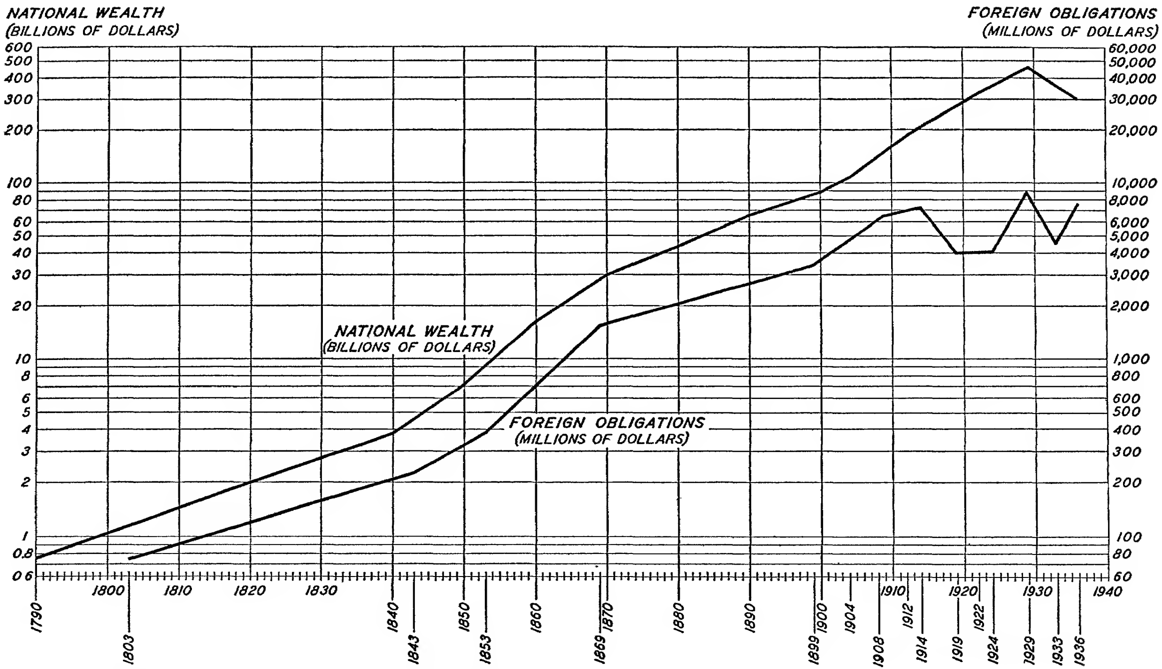
(1) For 1870, the narrowed distance between the curves coincides with a basic change in the national wealth estimate: in that census, for the first time, the value of slaves was omitted from the national wealth aggregate. In 1860 this item was included at about 2 billion dollars, and in 1850 at 1 billion.[6]

(2) The widening of the distance between the curves for several years before and after 1899 is in part explained by the

[5] Data and sources for both curves are given in App. B, p. 560.

[6] *Report of the Special Commissioner of Revenue* (David A. Wells), 1869, pp. xi-xii; Ernest L. Bogart, *Economic History of the American People* (1935), pp. 447, 459, 464-65. The number of slaves increased from 3.2 millions in 1850 to 4 millions in 1860. In 1840 the average price of slaves was estimated at $500 and the same figure was used by Wells in his computations for 1860.

## The National Wealth and Foreign Obligations of the United States[a]




[a] Data for this chart are tabulated on p. 560 below.

fact that for 1899 America's foreign obligations were estimated at market values, whereas the estimates for earlier years and for 1908 appear to be in par values.[7]

(3) For some years, changes in the relations between the two curves are exaggerated by the fact that the investment data represent some periods of liquidation, some of accumulation, and thus—since the two series of estimates are not available for identical years—they are affected by short-term swings not reflected in the national wealth data.

For example, annual figures for the country's pre-war foreign obligations,[8] if available, would show a considerable decrease in 1844 and 1845 to take account of the debt repudiations which, though *de facto* in 1843, were not then openly admitted or taken account of in the figures. They would show some liquidations during the depression of 1853, considerable selling between 1860 and 1863, post-Civil War speculation and accumulation that was particularly active from 1868 or 1869 to the crisis of 1873, and subsequent repudiations and liquidations. Again, they would show the considerable selling that occurred in the panic year 1893, some selling in 1898, and thereafter, from 1900 through 1913, some large investments by foreigners in a number of years.[9]

From this it will be seen that the investment curve alternates between two comparatively high years (1843 and 1869) and two lows (1853 and 1899); and thus, in an arbitrary fashion, alternately narrows and widens its distance from the curve showing national wealth.

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[7] For 1914 and later years the values used are as follows: common stocks at market, other portfolio holdings at par, direct investments at book values. The short-term credit estimates vary in their inclusiveness and reliability from period to period. The adoption of market values for common stocks does not greatly affect the comparability of the figures in relation to pre-war data, since the shift into common stocks is a post-war phenomenon.

[8] This criticism is of minor importance with regard to the post-war data presented, since they are given at shorter intervals.

[9] Descriptions of the course of foreign purchases and liquidations are given in the *Review of Economic Statistics*, 1919, Vol. I, pp. 218-52. Changes in the total of railway securities included in foreign portfolios are summarized by William Z. Ripley, *Railroads: Finance and Organization* (1923), pp. 4-8.

In 1843—according to the chart—America's obligations to foreigners amounted to about 5 per cent of the country's national wealth; in 1914, to 4 per cent; and in 1929, to 2 per cent. In 1869, when all factors combined to exaggerate the foreign indebtedness estimate in comparison with that for national wealth, the ratio was 5.4 per cent. At the middle of 1937 it amounted to about 2.8 per cent—or to 2 per cent if the "sterilized" short-term credits are excluded. These figures compare with ratios of 25 to 30 per cent or more for some Latin American countries, where foreign control is a recognized factor of political and economic significance.

It is true, of course, that the foreign capital invested in the United States has sometimes proved temporarily embarrassing and has required special consideration. It is doubtful, however, whether foreign ownership of a 3, 4, or 5 per cent share in the country's national wealth would ever prove a threat of major proportions, particularly in the case of an investment widely distributed among many industries and many private individuals and, in the main, placed in enterprises that are under American control.

## THE PROCEEDS OF FOREIGN BORROWING

There is a certain amount of fiction in estimates that show America's foreign obligations in par value terms; and in this fact a partial explanation is found of the different attitudes that American borrowers and foreign lenders have sometimes taken toward the debt. In par value terms the figures for any given period indicate the aggregate amount the American economy was obligated to repay to foreign investors at maturity dates; but they do not show what the nation received for the debts incurred.

In the early years of the nation's history, American

securities were seldom taken at par in foreign markets. Though state legislatures, by specifying the minimum price at which the bonds might be sold, often undertook to guard against the losses that accompanied sales below par, ways were found to circumvent such laws. In negotiating with British purchasers, state agents frequently signed contracts agreeing that the proceeds of a loan would be taken at the rate of one dollar for each four shillings and sixpence of debt contracted, or, if the debt was contracted in dollars, that four shillings and sixpence would be repaid for each dollar of debt contracted. But with the dollar at a discount in London, often amounting to 8 or 10 per cent, this was equivalent to a sale below par, for repayment of the loan eventually cost the state considerably more than it had received.[10]

Loans issued to the public at reasonably high prices might, in fact, yield small returns to the borrowers. In some cases the issuing house bought at a price well below that paid by the public, and in addition, received a commission which was deducted from the price at which it took the loan. For example, in 1839, Barings bought Maryland bonds at around 68 or 70, with their commission of one to two points to be deducted from this, and sold these bonds to the public at from 75 to 82½.[11] Commission charges stipulated in the loan contracts sometimes were as high as six points plus the usual brokerage fees. In addition to these charges, it was customary for the lender to hold back a sufficient amount to set up a sinking fund and pay interest during the first two or three years.[12] Other charges were also likely to

[10] Reginald C. McCrane, *Foreign Bondholders and American State Debts* (1935), p. 7.

[11] The same, p. 89.

[12] C. K. Hobson, *The Export of Capital* (1914), p. 105. The spread between the issue price and the price paid by the banker on some occa-

be deducted, including the cost of supporting the market during the issue of the loan. These still further reduced the borrowers' proceeds.

The British cotton loan to the Confederate states is an example. The debt the Confederacy contracted to repay amounted to about 15 million dollars (3 million pounds sterling). The issue price to the British public was put at 90, which at the rate £1 = $5 would be 13.5 million dollars. The amount put at the disposal of the southern states, after all charges had been deducted, was only 6.3 millions, and this was kept in England, according to agreement, to pay for the cruisers furnished the South.[13]

Because of the depreciation of the dollar during and after the Civil War, foreigners were able to buy up American government bonds at enormous discounts. Their holdings in 1869 were estimated at 1 billion dollars, par. As they matured these were promptly redeemed by the government at full face value, and after January 1879, when specie payments were resumed, the bonds began drifting back to New York at prices well above par. The whole lot probably cost the original foreign purchasers less than 700 million dollars. The aggregate gains to foreign purchasers of these loans thus amounted to more than 300 million dollars.[14]

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sions at least was a great deal more than this. For example, in 1864 stock of the reorganized Hudson's Bay Company was taken by a "finance company" at 300 and was sold to the public at 400. Leland H. Jenks, *The Migration of British Capital to 1875* (1927), p. 250.

[13] Amos E. Taylor, "Walker's Financial Mission to London," *Journal of Economic and Business History*, February 1931, p. 302; Ellis P. Oberholtzer, *A History of the United States since the Civil War*, Vol. I (1926), pp. 400-02; Francis W. Hirst, "The Credit of Nations," *Report of the National Monetary Commission*, 1910, pp. 119-20; *Hunt's Merchants' Magazine*, May 1863, p. 382.

[14] *Hunt's Merchants' Magazine*, October 1868, p. 245, estimated that 700 million dollars of these were abroad by 1868, for which American sellers had not received more than 57½ per cent.

On some of the state debts repudiated in the seventies, issue prices had amounted to as little as 10 to 30 cents on the dollar. There were others for which the issue prices were well above 90. The larger American municipalities usually received good prices for their bonds. But during the seventies a Boston 5 per cent loan was issued in London at 87, and the British public bought a St. Louis 6 per cent loan at 85.[15]

What the railways received for the debts they contracted abroad in early years is not clearly shown in the records. Before the loss of confidence following the panic of 1837, some loans were sold in London at good prices. A Camden and Amboy 5 per cent loan of £210,000 brought $978,203 in 1834; another 5 per cent issue of £185,000 brought $824,444 in 1836; and the following year a 6 per cent loan of £225,000 brought $1,023,498.[16] With the dollar at par, these prices might be given as 95.7, 91.6, and 93.5 respectively. But the dollar was at a discount, so that in terms of sterling, prices were somewhat lower than these figures indicate.

In 1856 railway bonds, unless state guaranteed, were selling well below state issues.[17] Bonds were turned over to British manufacturers in payment for railroad iron bought at 40 per cent or more above current market prices, and such bonds filtered into the London market at correspondingly low prices. The "Erie abominations," the wasteful and extravagant building of some of the roads, and the gigantic amounts of capital required for some of those constructed during and after the Civil War tempered the enthusiasm of European capitalists. At all times they were willing to buy some bonds, but at con-

[15] *Fenn on the Funds*, 1883, pp. 651-55.
[16] *American Railroad Journal*, 1856, p. 354.
[17] B. H. Meyer (editor), *History of Transportation in the United States before 1860* (1917), p. 584.

siderable discounts. In 1870, a Michigan Peninsular Railway 7 per cent mortgage was sold to the British public at 70⅜; in 1871 a Union Pacific land grant loan, at 70; in 1877 Baltimore and Ohio fives at 88½; and in 1892 Atchison second-mortgage bonds at 67. A number of 8 per cent railway issues were sold in Europe below par in the seventies when the discount on the dollar still further reduced the borrowers' proceeds; and the offering price of many 7 per cent loans was well below 80.

It has been estimated that the American railway bonds in the hands of the public—American and foreign—in 1890 had cost the original investor not more than 67 cents on the dollar, or about 2.5 billion dollars for an indebtedness of 3.7 billions. For the shares, of which some 3.4 billion dollars were held by the public, the original investors had paid not more than 340 million dollars or 10 cents on the dollar.[18] The borrowers' proceeds were still further reduced by the costs involved in floating the issues.

Offering prices of the greater number of railway loans issued abroad from the middle nineties to the outbreak of the War ranged from 90 to 100. Some sold well above 100. A smaller number sold below 85. These were bonds with interest specified at 4 or 4½ per cent,[19] as compared with earlier issues offering around 7 per cent.[20] The improvement here noted in the borrowing position of the railways followed the drastic reorganizations of the eighties and nineties, which added considerably to the prestige of the roads in foreign markets.

[18] S. F. Van Oss, *American Railroads as Investments* (1893), p. 138; Charles B. Spahr, *The Present Distribution of Wealth in the United States* (1896), p. 41.

[19] The nominal interest rate on a number of the loans was as low as 3½ per cent. On a number of others the rate was 5 per cent and even as high as 6 per cent.

[20] The terms on which American loans were made to foreigners in the post-war period are discussed in Chaps. XVII and XVIII below.

## HOW THE CREDITORS FARED

A precise balancing of gains against losses for determining how America's creditors fared would be a difficult task even if adequate data were available. Viewed in a comprehensive way, it would include a consideration of alternative opportunities; among others the results that might have followed had foreign capitalists used their funds at home for the expansion of domestic consumption and production.[21] Barring such topics, which are better suited for philosophical speculation than for statistical measurement, it is possible to determine roughly the extent to which losses through defaults, foreclosures, and repudiations have been offset by gains of various kinds.

Early numbers of the financial journals relate the woes of the foreign investors, but they also tell the obverse tale of the hard fate of those doomed to pay tribute to absentee capitalists. It is known that assets of the bankrupt debtor, distributed among various claimants, sometimes compensated for part of the losses suffered. Creditors of the Second Bank of the United States were recompensed in this way for part of their losses.[22] Western lands turned over to holders of defaulted railway bonds sometimes proved to be valuable alternative investments. Farm lands, acquired through mortgage foreclosures, in many cases increased in value beyond the amount of the original loans. But the records are decidedly incomplete and it is impossible to compare the value of the losses suffered with the aggregate value of the assets distributed to meet them.

British losses on repudiated state debts in the forties and seventies are estimated at 60 million dollars of

[21] This was, as a matter of fact, one of the principal objectives of the Bismarck program for the development of Germany.

[22] Referred to on p. 80 above.

capital and accumulated interest.[23] Assuming that all other countries together lost a like amount on these bonds (probably an over-estimate), the total loss on this account was about 120 million dollars. Against this may be set gains two times as great, realized by those who invested in United States government bonds during and after the Civil War. Granted that these were speculative gains for which risks had been assumed. But, purchases of a considerable part of the state debts on which losses were realized were also highly speculative in character. This fact may be recognized, apart from any consideration of the legal and ethical position of either the debtor states or the foreign purchasers of the bonds. On this inclusive category of speculative purchases, foreign investors gained enormously.[24]

The municipal loans taken abroad proved highly profitable investments in general, in spite of the defaulting issues that undoubtedly found some foreign purchasers. The principal foreign borrowers among this group—for example, New York, Boston, St. Louis—sold their securities well below par, met their maturities promptly, and paid a rate of return well above that offered by European bonds of like safety.

On railway investments, considered strictly in terms of the contract signed by the roads, there is no doubt that the losses of foreigners were great. But both parties to such contracts recognized that the hard terms imposed on the borrowers were a measure of the risks assumed by the lenders. Defaults, receiverships, foreclosure sales punctuated the railway history of the country at frequent intervals.

The Erie was in receivership as early as 1842, and

[23] Discussed further on p. 62 above.

[24] Gains and losses probably were seldom offsetting so far as individual bondholders were concerned.

many times thereafter. The insolvency of the Atlantic and Great Western in 1865 was in part responsible for the failure of Overend, Gurney & Co., the "institution which next to the Bank of England had been the mainstay of British credit." A period of wholesale defaults and receiverships began in 1871, when the roads were finding it difficult to adjust to post-war conditions. By the end of 1874, 40 per cent of the 375 million dollars of foreign-owned bonds were in default.[25] With the ruling rate of interest at 7 to 8 per cent, this represented an annual loss of interest to foreign holders of 11 million dollars. During the panic of 1893, one dollar in four invested in railway securities was in receivership.[26] As late as 1895, receivers were operating 169 railways, represented on the markets by a capitalization of no less than 2.4 billion dollars.[27]

Yet compared with the rates offered at home for his funds, the foreign holder's returns on his American rails were not bad. The average nominal rate paid by the roads on their entire bonded debt varied from 4.35 to 4.91 per cent during the thirteen years 1878-90, while average dividends paid on their aggregate share capital ranged from 1.77 to 2.91 per cent during the same period.[28] The average prices at which these securities reached the first investor have been estimated at not

[25] *Yale Review*, November 1898, p. 324. This figure of 375 millions may be compared with Wells' estimate that 130 millions of railway bonds were abroad in 1869, indicating large-scale foreign buying during the five-year interval.

[26] Between 1876 and 1883 as many as 291 roads capitalized at 1.6 billion dollars (bonds and shares) were sold at foreclosure sales and the number of receiverships during the period was from one to ten times the foreclosure sales. During the following thirteen years, 1884-96, the number of roads in receivers' hands was 412, capitalized at 4.9 billion dollars. *Yale Review*, November 1898, p. 320.

[27] Alexander D. Noyes, *Forty Years of American Finance* (1909), p. 276.

[28] From summary tables in early pages of *Poor's Manuals*, 1880-90.

more than 67 cents on the dollar for bonds, and 10 cents for stock.[29] Thus, in terms of the prices originally paid for these securities, the rate of return averaged around 6.5 to 7.3 per cent on bonds, compared with yields of around 4.25 per cent on similar investments in Great Britain; while the return on stocks averaged around 17 to 29 per cent.

In the reorganizations following receivership after 1893, the rate of interest on bonds was cut from the prevailing rate of around 6 per cent to a new average of around 4.[30] But bondholders were compensated for this loss by the receipt of stock, *gratis*. Holders of stock (most of them Americans) in the bankrupt roads were assessed *pro rata* to provide cash for the reorganized companies.

In the reorganization of the Union Pacific, after the foreclosure sale in November 1897, holders of the old first 6 per cent bonds exchanged them par for par for new first mortgage 4's, plus 50 per cent in new preferred stock. Stockholders gave their old stock for the new, share for share, paying also a $15 per share assessment.[31] In the reorganization of the Baltimore and Ohio in 1898 each old $1,000 bond of the better grade mortgages was exchanged for the following new securities: $1,025 in prior liens, $125 in first-mortgage bonds, $140 in preferred stock, and $10 in cash. Inferior bonds received new first mortgage 4's, with preferred stock to compensate for a reduction in interest; the 5's of 1887, on which interest was reduced from $50 annually to $41.75, received $85 in 4 per cent preferred; and the 6's of 1874, on which interest was reduced from $60 to $40.41, received $160 in preferred. Stockholders received new preferred stock on meeting the assessments levied against

[29] Van Oss, *American Railroads as Investments*, pp. 137-38.
[30] Stuart Daggett, *Railroad Reorganization* (1908), p. 363.
[31] The same, pp. 277-78.

their old shares.[32] The Erie in the course of its reorganization increased the bonded debt of the system by 1.9 million dollars and capital stock by 35 million dollars.[33]

These are samples of the plans followed by many other roads. On the whole, the par value of the capital in foreign hands was considerably increased as a result of these reorganizations, and while the average rate of return was reduced, the reduction in the aggregate amount payable was not so great as the change in rate would indicate.

In view of the difficulties involved, any estimate of the net gain or loss realized in the liquidations of the War period must be subject to a considerable degree of error. Even so, an attempt at such an estimate is useful in evaluating the lot of the foreign creditor.

The Dollar Committee's list of British-owned American rails, on analysis, shows the following composition:

| Railway Securities | Percentage of Total | |
|---|---|---|
| Issued before 1897: | | |
| Shares | 9.0 | |
| Bonds | 26.4 | 35.4 |
| Issued or listed abroad, 1897-1914: | | |
| Shares | 10.2 | |
| Bonds | 43.4 | 53.6 |
| Issued and listed in the United States only, 1897-1914: | | |
| Shares | 3.0 | |
| Bonds | 8.0 | 11.0 |
| Total | | 100.0 |

Assuming that this list furnishes a good sample of the foreign portfolio as a whole, it provides material useful in estimating what the original foreign investor paid for the railway bonds and shares abroad in 1914.

[32] The same, pp. 25-26.
[33] The same, pp. 71-72.

The average price at which railway bonds were issued to the public prior to 1891 has been estimated at 67 per cent of par, and of stock at 10 per cent.[34] With full weight given to the reorganizations of the early nineties, these averages may be too high to apply to all issues prior to 1897. While the roads received new cash from holders of old shares, and while there were some sales of both bonds and shares during the years 1891-96, there was a considerable distribution of both bonds and shares for which no cash payment was made. For bonds issued abroad in 1897 and later, the average price was around 96, and for stocks was certainly not more than 100, no allowance being made for split-ups. The foreign-owned securities that were issued and listed only in the United States were probably bought on the bargain counter at less than half price.

These data indicate an average cost to foreign investors for all classes of railway securities of not more than 75 cents on the dollar. The comparable market price average during the period of war-time liquidation was about 78 cents on the dollar.[35] Thus, in the aggregate, the evidence provided by these very rough comparisons indicates that foreigners more than broke even on the capital invested in American rails. In the meantime their interest and dividends had been at higher effective rates than were obtainable at home.

A classification of securities other than rails in the Dollar Committee list gives some indication of what these securities cost the foreign investor, but not sufficient information for the computation of an average price.

[34] Cited on pp. 163-64 above. The pre-1897 price for stocks enters the average with a very small weight. Whether it is too high or too low, therefore, is a matter of little moment so far as the average is concerned.

[35] According to the investigation made by Loree, president of the Delaware and Hudson, given more fully on pp. 531-33 below.

The composition of this portion of the foreign portfolio was as follows:

| British-Owned American Securities Other than Rails | Percentage of Total | |
|---|---|---|
| Issued before 1897: | | |
| Shares | 5.5 | |
| Bonds | 17.8 | 23.3 |
| Issued or listed abroad, 1897-1914: | | |
| Shares | 5.1 | |
| Bonds | 35.2 | 40.3 |
| Issued and listed in the United States, 1897-1914: | | |
| Shares | 23.3 | |
| Bonds | 13.1 | 36.4 |
| Total | | 100.0 |

Of the total, 23.3 per cent were issued before 1897, in a period of comparatively low prices. The 36.4 per cent bought in the American market in 1897 or later were also probably bought at comparatively low levels. While some of them may have been acquired at the time of issue and at prices near par, it seems quite likely that many were bought when prices were low in New York. Securities issued or listed abroad during or after 1897 may have cost the original foreign investor as much as 95 cents on the dollar. This group accounted for 40.3 per cent of those listed by the Dollar Committee. The other 59.7 per cent probably cost a great deal less. At the levels prevailing during the War, the foreigner probably realized a profit averaging several cents on the dollar, and aggregating many millions of dollars. On all classes of investments, it seems reasonably clear that foreign capital gains were in excess of losses, while the rate of return on the actual amounts invested was better than could be earned at home. This conclusion (which

is based on the foregoing analysis of available data) finds added support in the writing of British economists.

In discussing the defaults that occurred in the seventies, not only in the United States but also in other parts of the world, C. K. Hobson, in his *Export of Capital*, remarked: ". . . the losses caused through defaults were in the long run almost insignificant compared with the large gains derived by British investors over the whole field of foreign and colonial securities."[36]

In summing up the situation as it stood at the close of 1910, Sir George Paish stated that on the whole Great Britain had "derived a large income from the increment in the value of securities." In this connection he noted that Atchison shares, bought by the British at 18 in 1900, were selling above par in 1910; and that the United States Steel Corporation common stock, bought a few years earlier at less than 30, was then selling at 70 to 80.[37] During the liquidations of the War period, when Atchison sold at 92 to 109[38] and United States Steel common at prices ranging from 38 to 129¾,[39] these "paper" profits were turned into realized capital gains.

Under the changed conditions of the post-war period, questions regarding American bond issues in Europe are largely matters of historical interest, for European investors and speculators wishing to invest in the United States are now taking pot luck here, buying up domestic issues instead of fixing the terms on which they will float new loans. However, a review of the terms on

[36] P. 143.

[37] *Journal of the Royal Statistical Society*, January 1911, p. 197.

[38] These are the low and high for the two years of greatest liquidation, 1915 and 1916.

[39] Of 1,285,636 shares held abroad in March 1914, 496,433 shares were repatriated in 1915, when the price range was 38-89½, and 193,999 shares in 1916 at 79¾-129¾ a share.

which American states and corporations borrowed before the War, and of the circumstances under which some of them failed to pay their obligations promptly or repudiated them altogether, serves to lay some ghosts. It shows clearly that neither party to the controversy comes into the court of present day public opinion with altogether enviable records. Therefore, as applied to the present situation, it counsels a sympathetic and understanding attitude on the part of the United States, the creditor of many defaulting nations, today.

# PART II

# AMERICA'S FOREIGN INVESTMENTS

## CHAPTER IX

# TRADE AND BANKING VENTURES ABROAD

While Americans have always been principally concerned with the development of domestic resources, there were some even in colonial days who saw opportunity in terms of foreign ventures. From New England, from Philadelphia, New York, and other seaboard towns, energetic merchants were engaged in foreign shipping and foreign trade, in the course of which they placed some of their capital abroad. In time some of them turned international bankers, while others engaged in an incidental way in some foreign banking activities in connection with their import and export trade, thereby facilitating the international movement of securities and funds as well as goods.

Until the closing decade of the nineteenth century, the outward flow of capital thus set in motion was of negligible proportions. With the passing of the American frontier, however, the pressure for markets encouraged an expansion of America's foreign investments. An increasing number of producers established their own sales organizations abroad during the quarter of a century that preceded the World War. New federal banking legislation put in force on the eve of the War provided for the establishment of foreign branches by national and state banks, and thus considerably facilitated the later expansion of many classes of American foreign investments. More recently the federal government has created certain agencies whose purpose has been the expansion of the export trade—in part through the extension of credit to foreign importers.

**TRADING COMPANIES**

It is recorded that Thomas Amory, a merchant of Boston, closed his business in the Azores in 1719, leaving an agent to attend to his property—which he still owned at his death nine years later. This same merchant, when expecting great returns from a certain shipping venture, directed his English correspondent to invest three-fourths of the proceeds in European goods to be shipped back to Boston, and to place the rest on deposit in London.[1] At this time some of the larger merchants of Boston and New York had enough wealth accumulated to permit fairly substantial purchases of "solid" British securities. No doubt this also held true for Philadelphia and for some of the other trade centers of the colonies. Andrew Faneuil, also a merchant of Boston, in 1737 had £15,000 in Bank of England stock, £100 in exchequer annuities, £200 in bonds of the East India Company, and probably other British investments not included in this list. The following year Peter Faneuil is known to have had at least £7,331 in British stocks and bonds, held for him by an agent in London.[2] We have no estimate of the aggregate thus placed abroad, but it appears to have been considerably less than the amount of British capital then being used in the colonies in connection with internal and foreign trade.

The Revolution brought about a temporary interruption in British-American trade relations, and some difficult readjustments. In 1783 the former British colo-

[1] William B. Weeden, *Economic and Social History of New England, 1620-1789* (1890), Vol. II, pp. 569, 571.

[2] The same, pp. 618-19; Virginia D. Harrington, *The New York Merchant on the Eve of the Revolution* (1935), p. 127. Other small financial transactions are mentioned by Joseph S. Davis, *Eighteenth Century Business Corporations in the United States* (1917), Vol. I, pp. 254, 258; and by Rafael Bayley, *National Loans of the United States* (1881), p. 45.

nies found that independence carried with it a loss of the trade privileges they had formerly enjoyed, while Great Britain—and certain other European countries—refused to enter negotiations concerning reciprocal commercial concessions. Long before this obstacle was removed, however, trade with Europe, particularly with Great Britain, had more than recovered its former volume. Statistics for 1821, by that time fairly reliable, show England as America's leading market, taking 18.5 million dollars in exports out of a total of 65.0 millions, and supplying 23.2 million dollars of the 62.6 millions of foreign goods imported by the States. This compares with exports of 4.5 million dollars and imports of 6.6 millions in the trade with America's second market, Cuba, where Spain's mercantilist policy had been somewhat modified.[3] The resumption and expansion of foreign trade was accompanied by the establishment of American mercantile houses in London, on the Continent, and elsewhere, representing a small offset to the growing volume of American foreign borrowing.

The first American trading vessel visited Canton in 1783,[4] and thereafter trade with the Orient, particularly with Canton and Calcutta, attracted some of the most adventurous of American traders. On the outgoing voyage their ships carried European manufactures as well as the products of the New World, returning with the tea, coffee, spices, porcelains, and fabrics of the East. While exports to China in 1821 amounted to only 4.3 million dollars, that country was then the fourth largest market for American goods. Into this trade went the

[3] Finding that the Cubans were engaging in foreign trade in defiance of contrary regulations, Spain began authorizing such trade in 1818, subject to heavy import and export duties. J. Fred Rippy, *Historic Evolution of Hispanic America* (1932), p. 163.

[4] Julius Klein, *Frontiers of Trade* (1928), p. 289.

fortunes of such merchants as the Perkins brothers of Boston, who in the thirties transacted as much business with China as any other private firm in the world.[5]

A census taken in 1836 in Canton, the only Chinese port then open to foreign trade, enumerated 307 foreign persons and 55 foreign firms, including 44 Americans and 9 American firms.[6] A letter written the year before by a partner in one of these American firms indicated that his house then had about $350,000 in China. From this it has been estimated that, in addition to their investment in shipping, Americans may have had an aggregate of 3 million dollars in goods and silver in Canton—nothing being included for land and buildings since foreign ownership in real estate was not permitted by Chinese law.[7]

With the "Hermit Nation," Japan, American trade relations were not established until the early 1850's. By the arrival of Commodore Perry's "black ships" in 1853, the regency had been persuaded to end the commercial isolation of that nation that had endured for more than two centuries. In March of the following year a treaty was concluded by which the ports of Japan were opened to American merchants.[8] A few years later the firm of H. Fogg & Co. was organized for trade with China and Japan, and in 1876 was reorganized and incorporated under New York law as the China & Japan

[5] Weeden, *Economic and Social History of New England,* Vol. II, p. 822.

[6] Carl F. Remer, *Foreign Investments in China* (1933), p. 242.

[7] Nothing is included for mission property, for, while the first American missionaries are said to have arrived in China in 1829, it is thought that they had acquired little or no property prior to the opening of the five ports in 1842. On the other hand nothing has been deducted for the loans probably outstanding to some of these firms by the Chinese hong merchants at Canton. Remer, *Foreign Investments in China,* pp. 243-45.

[8] Benjamin H. Williams, *Economic Foreign Policy of the United States* (1929), pp. 254-56.

Trading Co., Ltd., a company that in 1908 had branch houses at Yokohama, Kobe, Osaka, and Nagasaki, Japan, and in Shanghai and London.[9] Until the late eighties, however, trade with Japan was negligible in amount and increased at a scarcely perceptible rate, but it expanded steadily in following years, with the United States accorded an increasingly important position.[10]

On the North American continent American merchants early in the eighteenth century had established their agents in Montreal, through which passed the greater part of the trade of the Canadian Provinces, even those to the west. Thereafter, in spite of hampering British restrictions which were not removed until 1846, they maintained and improved their commercial contacts with their northern neighbors. Furs from the provinces were in great demand for the trade with China, where they sold at handsome profits. In exchange, American tools and implements were shipped north where they were given marked preference over competing products from Birmingham and Sheffield. By 1840 Americans were also participating in the Canadian lumber trade.[11] While the exchange of goods between the States and the Provinces aggregated less than 8 million dollars in most years prior to 1846, it was accompanied by an early migration of some American capital across the northern boundary.

Trade with Mexico was of slower growth. Until 1821 this southern neighbor was a Spanish possession, administered in accordance with the mother country's policy of preventing foreign intercourse with her colonies.

[9] *Moody's Manual*, 1909, p. 2396.

[10] Harold G. Moulton, *Japan* (1931), pp. 253-54.

[11] Herbert Marshall, Frank A. Southard, Jr., and Kenneth W. Taylor, *Canadian-American Industry* (1936), pp. 2-3. The three-cornered China fur trade began in 1787. J. M. Gibbon, *Steel of Empire* (1935), p. 43.

Trade by sea was limited to the port of Vera Cruz, where it was the monopoly of a few Spanish trading companies. At the north it was cut off by wide reaches of plain and mountain lying between New Spain and the American frontier. This isolation was made more complete by America's lack of knowledge concerning potential markets waiting just below the Mexican border, particularly in the neighborhood of Santa Fe—at that time a part of Mexico.

The intellectual barrier was removed in 1810 by a book describing the colonial civilization its author had seen a short time before. Arrested for trespassing on Spanish soil, he had been conducted as a prisoner through the forbidden territory he described—along the old Spanish Trail through Santa Fe, El Paso, and Durango to Mexico City, and back to the northern border by way of San Antonio and Natchitoches. But when some American traders undertook to tap this market a year later, driving a train of pack mules south towards Santa Fe, they were inhospitably received and jailed.[12] In the province of Upper California, where Spanish laws were more laxly administered, some American sea-borne trade had begun as early as 1796, vessels on the China trade touching at San Diego and Monterrey to unload provisions and manufactured goods and take on cargoes of hides and skins.[13]

With the expansion of the American frontier, and with Mexican independence achieved in 1821, many of the obstacles to trade disappeared and the Santa Fe Trail became an important commercial highway. Accompanying this trade, some American capital crossed the Mexi-

[12] Frederic L. Paxson, *History of the American Frontier* (1924), pp. 143, 304-05, 307, 323-30.

[13] George P. Garrison, *Westward Extension 1841-1850* (1906), p. 40; Paxson, *The American Frontier*, p. 364.

can boundary into the northern provinces of Coahuila and Texas, New Mexico, and Upper California. However, by the admission of Texas to the Union in 1845 and the acquisition of a large block of other territory at the close of the Mexican War some three years later, a large part of this capital was repatriated. Thereafter, American commercial capital seems to have been reluctant to migrate across the new Mexican border. An American observer, traveling in Mexico in 1885, noted that though the United States had a larger share than any other nation in the import and export trade of Mexico, there were comparatively few American dealers or distributors of merchandise established there.[14]

The foreign commerce of Central and South America, except in the Portuguese colony of Brazil, was for a long time, like that of Mexico, legally a Spanish monopoly. But in the 1820's a series of successful revolutions divested Spain of her continental possessions in the New World, and in the same decade Brazil succeeded in gaining independence from Portugal. Thereafter, these countries were free to control their own trade, and during the twenties and early thirties a number of them concluded commercial treaties with the government of the United States.

It is said that the first cargo of American goods to Argentina was shipped in 1801 while that area was still under Spanish rule.[15] In 1833 the American firm of S. B. Hale was organized to engage in trade with the Argentine, an important event, for they were instrumental in persuading the British firm of Baring Bros. to finance the Argentine government. Some forty years later, when the slowly developing Argentine-American

[14] David A. Wells, *A Study of Mexico* (1887), p. 242.
[15] Klein, *Frontiers of Trade*, p. 301.

trade amounted to the relatively small figure of 4 million dollars, no other American company of importance had yet been established in that market.[16]

Trade with other Latin-American countries was developed by several other old trading concerns: W. R. Grace & Co., the Eder family, G. Amsinck & Co., and three companies that eventually united to form the American Trading Co., Inc. The latter group of companies in time established branches or subsidiaries in China, Japan, Australia, Great Britain, Italy, Germany, Belgium, the Netherlands, Mexico, and the West Indies as well as in several South American countries.

The importing, exporting, merchandising, banking, and transportation business of W. R. Grace & Co. dates from 1851, when young Grace got a job in Callao, Peru, with a ship's chandler, John Bryce. He persuaded his employer to fit up a supply ship which they anchored at the largest of the guano islands, for the purpose of selling to the guano boats. By 1865 they were shipping goods to Peru from the United States, and in time extended their business to Chile and other Latin-American markets, North America, Europe, Africa, and the Orient. By 1935 the investment of Grace & Co. in trading subsidiaries was reported to be 30 million dollars, with an equal amount in industrial and transportation subsidiaries.[17] A contemporary of the founder of "Casa Grace" established himself in the Colombian trade, and laid the foundation for the Eder family fortune in Colombian agriculture.

The Amsinck partners, also Grace's contemporaries, began their importing, exporting, and commission business in east coast ports of South America, and later ex-

[16] Charles R. Flint, *Memories of an Active Life* (1923), p. 73.
[17] *Fortune*, December 1935, p. 96.

tended their operations into Central America and Mexico. During the War this company was acquired by the American International Corporation, an offshoot of the National City Bank; was operated at a loss during the early twenties; and was disposed of during the depression. The three companies in the American Trading consolidation were Flint, Eddy & Co., established in 1870; the American Trading Co., in 1878; and William E. Peck & Co., in 1881.[18] Like Grace & Co., all of these concerns took an active part in ocean shipping, in the financing of trade, and in later years in South American industry also.

Prospects of expanding trade with the East following the World War account for the formation of some companies in the War and post-war periods. The American Foreign Trading Corp., a short-lived affiliate of Tobacco Products Corp., was organized in 1919 to ship American manufactures to the Levant where they were bartered for hides, skins, tobacco, and other products of the region. The 58.5 million dollars of capital stock originally authorized measure the high hopes of the company, while only 1.9 million dollars were ever issued. The Pacific Development Company, a huge concern, was incorporated in 1917 and soon had organized or otherwise acquired a number of trade and financial subsidiaries for operations in the Orient, England, France, and Southern Europe. Its principal objective was the China trade, where its subsidiaries were highly successful in doing business with the government as well as with private industries. Chaos in China therefore involved great losses for the company, and by 1924 it was in receivership and in process of liquidation.

[18] This company's statements do not appear in the financial manuals after 1928.

### FOREIGN SALES ORGANIZATIONS

Within the United States there was a tremendous expansion of productive capacity during the first three quarters of the nineteenth century. Thus an ever-increasing volume of goods was sent out to foreign markets. At the beginning of the Civil War, as Lord Robert Cecil pointed out in a speech on the southern blockade, the industrial North was becoming a rival of the British "in every port as well as every court,"[19] and in 1866 Gladstone warned Britain of her prospective loss of commercial primacy.[20] In the latter quarter of the century production for export became sufficiently important to some firms to warrant the establishment of their own sales organizations abroad.

The Singer Manufacturing Company pioneered in this field. Originally incorporated in 1864, the company in time had divided the civilized world into sales territories which were managed by Americans. Territories were divided into districts which usually were under the supervision of natives. Each district had its own branch store or agency supplied with a stock of machines, and employed a force of native field agents who worked on a commission and "carried the 'Red S' into practically every hamlet in the world."

In 1867, three years before Standard Oil was incorporated, John D. Rockefeller added to his refinery interests in Cleveland a selling firm in New York. This gave him contacts with exporters and commission men, and a share in the growing foreign trade in oil. Eight years later Standard absorbed a competitor who had been in the export business since the beginning of the oil industry. In 1879, faced with a powerful new competitor

[19] Henry Clews, *Twenty-Eight Years in Wall Street* (1888), p. 17.
[20] W. T. Stead, *The Americanization of the World* (1902), p. 343.

—the Nobel Brothers, in Russian oil—the company began plans for entering the distributing business abroad.

Foreign subsidiaries were formed and alliances made with foreign companies. Bulk stations were established in one port after another in Europe, Asia, Africa, and Latin America, with smaller stations located in the interior. Tank wagons were put on the streets of British and continental cities, tank boats on German rivers. Standard oil in tin cans went into Tunis and Morocco by donkey train, crossed the desert by camel caravan, was carried on elephants in India, and on men's backs up the mountains of Tibet.[21] Standard pipe lines were laid in all parts of the world, wherever oil was discovered.

By 1911, when the corporation was declared illegal, it had established sixteen subsidiaries, operating in Canada, Great Britain, Holland, Germany, Belgium, Austria-Hungary, Italy, Rumania, Denmark, Sweden, Japan, South Africa, and Australia.[22] Waters-Pierce, an American company in which Standard had a large interest, was established in Mexico. For the most part these subsidiaries were engaged in the purchase, refining, and sale of oil. The company's large expansion into crude production was a later development.

Pure Oil, the one important American company that maintained its independence of the Trust, established

[21] John T. Flynn, *God's Gold* (1932), pp. 126-27, 187-88, 246-47, 361; Henry D. Lloyd, *Wealth against Commonwealth* (1894), pp. 405-11, 435-45.

[22] By 1908, these must have represented an investment of at least 150 million dollars, the total investment of Standard in domestic and foreign marketing at that time being 600 million dollars. (*Moody's Manual*, 1909, p. 2786.) The British subsidiary alone, capitalized at 4.9 million dollars, represented an investment of 17 million dollars by 1896. (*Report of the Commissioner of Corporations on the Petroleum Industry*, Vol. II, 1907, pp. 87, 561.) The German subsidiary late in 1912 was handling 65 per cent of that country's illuminating oil business. (The *Chronicle*, Nov. 30, 1912, p. 1478.)

sales organizations in Germany, Holland, and England in the 1890's.

The Pittsburgh Wire Company began using its own selling force abroad early in 1893, to offset the effects of the depression at home. This proved to be such a success that during the following year practically half of the company's capacity was engaged on foreign business.

Immediately on the formation of the United States Steel Corporation in 1901, a special sales organization was formed to handle the foreign market. In 1903 a subsidiary, the United States Steel Products Company, was formed to extend the foreign business of the corporation. Acting through this subsidiary the corporation, by 1913, had established 268 agencies in about 60 foreign countries.[23]

When the International Harvester Company was incorporated in 1902, one of its components, the Deering Harvester Company, was already well established in Canada, Europe, and Siberia, having gone into the latter market as early as 1900. The company's initial exports were handled by foreign jobbers, but finding its sales hampered by the inadequate facilities provided both for servicing and financing its machines, it began establishing its own branch houses abroad with experienced men from the States to demonstrate and service the machines and push sales. By 1912, 53 such foreign houses had been established, each with its own manager and staff, an organization reaching foreign markets throughout the world. In 1902 the company's foreign sales amounted to 10.4 million dollars or almost 18 per cent of its total

[23] Testimony of James A. Farrell, case of *U. S.* v. *U. S. Steel Corp.*, 223 Fed. 55.

sales; in 1912, to 50.9 million dollars or 44.3 per cent of total sales.[24]

The National Cash Register Company, organized in 1899, sold in foreign as well as domestic markets from the beginning. And like many other American manufacturers, the company soon found it necessary to establish its own selling organization in foreign markets. The outbreak of the World War found the company well established in Europe and South America, with one-third of its output regularly manufactured for export.

To the few examples given above many more might be added. For a score or more years before the War manufacturers of machinery, meat products, shoes, soap, and of various and sundry other types of goods, were trying to expand their foreign sales, and to this end were acquiring foreign transportation facilities, warehouses, store rooms, accounts receivable, and other types of foreign assets, including that important intangible, "goodwill."

The World War greatly increased foreign demand for American goods without involving an expansion in American sales organizations abroad. In fact, many foreign agencies temporarily closed their doors, or maintained only skeleton organizations. Several factors were responsible for this apparent decline in foreign sales activities: The War called the former sales personnel to other services. Imports by the allies were largely under government control, and buying agencies acting for those governments were established in the United States. Enemy countries were barred from the American mar-

[24] Testimony of Charles H. Haney, case of *U. S.* v. *International Harvester Co.*, 214 Fed. 987.

ket. Trade with neutral countries was hindered by the world-wide rationing of ocean shipping. The limiting factors were found in the facilities provided for the production and transportation of goods; not in sales.

In anticipation of the resumption of competition for foreign markets after the close of the War, and to put the small American manufacturer in a position to meet the export trusts formed by foreign industrialists and merchants, Congress passed the Export Trade Act (Webb-Pomerene Law) in April 1918. This measure, in accordance with recommendations made by the Federal Trade Commission two years earlier, authorized the formation of combinations to engage in the export trade. By June 1918, 48 such associations had filed reports with the Federal Trade Commission, and on October 1, 1926, 51 associations, representing more than 500 firms, were operating under the Act. Among other activities for promoting trade, these associations maintained foreign agencies to establish personal contacts with foreign buyers.

In general, post-war efforts to maintain and increase exports involved a considerable expansion in the number of foreign sales organizations established abroad by American companies, both large and small, and in the capital invested in such enterprises. By 1929, according to the Department of Commerce, the number of American branch houses abroad engaged primarily in foreign selling was 938, and their aggregate investment about 362 million dollars.[25] These figures, which are exclusive of the sales organizations of the oil companies, are itemized in the table below to show their geographic distribution.

[25] U. S. Dept. of Commerce, *Trade Information Bulletin No. 731*, pp. 10, 13, 18-19, 26.

| Location | 1929 Investment: Number | | Millions of Dollars | |
|---|---|---|---|---|
| Europe | | 440 | | 132.9 |
| Canada | | 117 | | 37.9 |
| Latin America: | | | | |
| Cuba and other West Indies | 56 | | 15.0 | |
| Mexico and Central America | 42 | | 9.9 | |
| South America | 132 | 230 | 94.3 | 119.2 |
| Africa and the Orient: | | | | |
| Africa | 33 | | 15.7 | |
| Asia | 83 | | 34.3 | |
| Oceania | 35 | 151 | 22.0 | 72.0 |
| Total | | 938 | | 362.0 |

The contraction of business during the depression probably brought about some reductions in this class of investment. From the scanty evidence available, however, it would seem that the total for 1935 probably amounted to as much as 90 per cent of the 1929 total, or to roughly 325 million dollars.

The investment of the oil companies in the foreign distribution of their products amounted to almost 490 million dollars in 1929. For the purposes of this study the investment in distribution, as distinguished from that in production, is arbitrarily defined as the whole investment of American oil companies in countries where their principal activity is local selling of local or imported oil, and where the production and refining of crude is a subsidiary function.[26] Of the total thus invested, about 219 million dollars were placed in Europe and the rest

[26] The definition used introduces some errors that are largely offsetting, and seems to furnish the only practical way of dealing with available data. It classes the important distribution facilities of Canada, Mexico, Rumania, and Peru with producing properties, and includes under distribution the American-owned wells in Chile, Bolivia, Argentina, Poland, and Italy. Figures for the investment in oil production are given on p. 230.

in widely scattered parts of the world. This is shown by the data below.[27]

| Location | 1929 Millions of Dollars | |
|---|---|---|
| Europe: | | |
| Belgium | 19.0 | |
| Denmark | 6.0 | |
| France | 25.1 | |
| Germany | 35.3 | |
| Great Britain | 21.0 | |
| Italy | 25.9 | |
| Netherlands | 12.1 | |
| Poland | 20.0 | |
| Portugal | 7.9 | |
| Spain | 8.5 | |
| Switzerland | 6.6 | |
| All other (except Rumania) | 31.6 | 219.0 |
| Cuba and West Indies: | | |
| Cuba | 9.0 | |
| All other (except Aruba and Trinidad) | 0.5 | 9.5 |
| South America: | | |
| Argentina | 29.8 | |
| Bolivia | 8.4 | |
| Brazil | 23.0 | |
| Chile | 2.0 | |
| Uruguay | 3.3 | |
| All other (except Colombia, Peru, and Venezuela) | 1.5 | 68.0 |
| Africa | | 31.5 |
| Asia: | | |
| British Malaya | 2.2 | |
| China | 50.0 | |
| India | 5.0 | |
| Japan | 8.1 | |
| Philippine Islands | 12.2 | |
| Others not included with production | 0.5 | 78.0 |
| Australia and New Zealand | | 81.0 |
| Total | | 487.0 |

During the depression years there have been some additions to the oil distribution properties owned abroad, as well as some shifts in ownership from one American company to another. A new French tariff on oil imports resulted in the construction of a 16 million dollar refinery in France, a joint enterprise of three American companies. The investment in Hungary, which amounted to perhaps 3 million dollars in 1929, was considerably

[27] Some of the figures given here are larger than those reported by the Dept. of Commerce, since information published in connection with later sales and mergers indicates consistent undervaluation in some cases.

increased by large purchases of Hungarian real estate, the companies taking this way of conserving earnings which they could not send out of the country after the imposition of exchange controls. Standard of Indiana, the Magdalena syndicate, and Socony-Vacuum have all made new investments in Germany, the first of these alone amounting to 5.5 million dollars. Socony-Vacuum (in 1935) signed a contract with the Soviet for the purchase of Russian oil to be sold in the Far East and Egypt, and two Standard companies have made new investments in Great Britain. The South American total was increased some 10 million dollars by Standard of New Jersey's investment in new wells and refineries in Argentina.[28] In Japan, Tidewater Oil acquired a 50 per cent interest in a local company, representing a new American investment of perhaps 1.5 million dollars or more.

There have also been some reductions in the investment in oil distribution since 1929. Early in the depression Standard of New Jersey sold its properties in Spain to the Spanish government for some 4.4 million dollars, and in 1931 the Atlantic Refining Company disposed of the stock and business of its subsidiary in Italy. The Bolivian government issued a decree in March 1937 cancelling the concession and confiscating the Bolivian properties of Standard of New Jersey, bringing to a climax a controversy that had lasted eighteen months.

Elsewhere there probably were other substantial acquisitions of foreign properties of which we have no information, and also some reductions in values because of plant depreciation. Taking into consideration the evi-

[28] A valuation of 40 million dollars was placed on the Argentine investment early in 1937 in connection with the proposed purchase of the properties by the Argentine government. *Wall Street Journal*, Jan. 23, 1937.

dence available, a relatively small net addition since 1929 is indicated, bringing the 1935 figure to approximately 509 million dollars.

Organizations primarily engaged in buying abroad are relatively unimportant in the total of American foreign investments, and also in comparison with the investment in foreign selling, although some individual concerns have large foreign purchasing agencies. The Department of Commerce reported 41 of these in Europe in 1929 with an aggregate investment of 5.9 million dollars. In South America the American Coffee Corporation, organized in 1919 as the purchasing subsidiary of the Great Atlantic & Pacific Tea Company, handles a large volume of coffee purchases. The company has some forty offices in Colombia with agents contacting planters and supervising crops. In Brazil it has buying offices at the coffee ports, and agents in most of the towns in the districts where the best Brazilian coffees are grown. In South American cotton-producing states, principally in Brazil, American cotton-purchasing organizations have an investment of several million dollars, an investment that has increased considerably during the past half decade. In the Near and Far East and in all parts of the world, various important purchasing agencies have been established—particularly by some of the department stores of New York, Chicago, and other American cities.

The big trading companies engage in foreign buying as well as selling, of course, and the service departments of the international banks facilitate import transactions as well as exports. But leaving these out of account, and also the investment of the rubber companies in Malayan purchasing facilities, since these are included with in-

vestments in rubber, the total in 1929 probably was not less than 16 million dollars; and in 1935 and 1936 may have amounted to 20 millions.

### PRE-WAR AMERICAN BANKS ABROAD

In 1913, when exports from the United States amounted to 2.5 billion dollars (as compared with 393 millions in 1870, and 1.4 billions in 1900), complaints were frequently made by American exporters that their activities were limited by the great shortage of American banking facilities abroad, while their European competitors were helped in many ways by foreign branches of their home banks.[29] Reports of the National Monetary Commission, published in 1910, had also stressed the need for American banks abroad. As a matter of fact, American-incorporated commercial banking institutions had some half-dozen foreign affiliates. American private banking institutions in 1913 had only 26 regular foreign branches. A negligible number of American investment banks operating abroad, and a few merchandising houses and travel agencies that carried on banking operations auxiliary to their principal activities completed the list. British banks, including colonial banks with headquarters in London, had 2,279 branches in the colonies and foreign countries; the French had 175; the Germans, 70; and the Dutch, 68.[30]

The principal difficulty involved was a legal one. Until 1914 banks incorporated under federal laws were prohibited from establishing foreign branches or accepting foreign drafts or bills of exchange. The large national banks, that logically might have engaged in this work of foreign financing, were thus unable to do so.

[29] The validity of these complaints is discussed by Clyde William Phelps, *The Foreign Expansion of American Banks* (1927), pp. 94, 101.

[30] The same, pp. 4-11, 85, 133-53, 211, 20.

The same was true of banks organized under the laws of most of the states. The private banks and trust companies, being subject to fewer restrictions, were the first to engage in foreign financing. But lacking a central banking institution able to re-discount their acceptances, they also were under a legal handicap until in 1913 certain revisions were made in the banking law of New York state, and in 1914 the Federal Reserve Act of December 1913 was put into operation.[31]

The private banks were in the field at an early date. Most of their foreign affiliates, in fact, were established during the second and third quarters of the nineteenth century, and most of them originally had been directly connected with foreign merchandising. From the merchandising of commodities they had shifted into the merchandising of securities and into the banking and exchange business, where their primary function was the financing of American railway and industrial corporations through foreign sales of the securities of such enterprises. The London house of Morgan, for example, grew from the mercantile concern George Peabody founded in London in 1835. The Paris affiliate, on the contrary, began business as a banking institution—in 1871. Munroe & Company of Paris began operations in 1851 as successor to the merchandising business of its American founder. The American firm of Lazard Frères began a mercantile business in New Orleans, San Francisco, New York, and Paris in 1849; in 1876 the New York and Paris houses were both converted into private banking concerns; and the following year the London

[31] The same, pp. 92-93, 109, 111. On pages 94 and 101 Phelps considers other factors in part responsible for the minor role played by American financial institutions in connection with pre-war foreign trade financing.

house was opened to engage in banking.[32] The London banking house of Seligman Brothers (dating from 1862) was established by members of J. & W. Seligman & Company, a New York partnership founded in 1848 to engage in the clothing and importing business.[33]

The 26 foreign branches of American commercial banking institutions in operation at the close of 1913 had been established by four state trust companies and two foreign banking corporations organized under state laws. Their history goes back to 1887 when the Jarvis-Conklin Mortgage Trust Company opened a one-room office in London. This London branch was still in operation in 1913, though the parent concern had been liquidated at an early date. After passing through several hands, it had been acquired in 1912 by the Equitable Trust Company, two years after that company entered the foreign field by opening its other branch in Paris. The Guaranty Trust Company of New York opened its only pre-war foreign branch in London in 1897. The Farmers Loan and Trust Company, New York City, had two foreign branches, one in London and one in Paris, both es-

[32] In 1913 only the New York and Paris houses were under American control.

[33] Phelps, *The Foreign Expansion of American Banks*, pp. 8-10. In 1913 there were three other firms that had been organized as foreign affiliates of American private banks. Pynchon & Company, investment bankers, and also brokers in securities and commodities, established an office in London about 1907, and one in Liverpool somewhat later. The London firm of Brown Shipley & Company was established in 1836 by members of the partnership that in 1825 had established Brown Brothers & Company of New York. Higginson & Company of London was established in 1906 as an affiliate of the Boston house of Lee, Higginson & Company, the latter dating back to 1848. The firm of Morton, Rose & Co. (London investment bankers who handled many American and other loans in the latter half of the nineteenth century) was also organized by and affiliated with American bankers who had started out in the dry goods trade—the New York banking firm of Morton, Bliss & Co. Gibbon, *Steel of Empire*, p. 188.

tablished in 1906. Last of the six trust company branches to be established was the London office of the Empire Trust Company, opened in June 1913.[34]

One of the two foreign banking corporations mentioned on page 193 above, the International Banking Corporation of New York City, had sixteen foreign branches in operation in 1913.[35] This company was chartered by Connecticut in 1901 primarily for the purpose of financing the increased participation in Chinese trade and railway development expected to result from the conquest of the Philippines. Five branches established in Chinese cities in 1902-09 were supplemented by others opened in countries closely connected with the China trade: one in England (1902); two in India (1903 and 1904); two in Japan (1902 and 1904); two in the Philippines (1902 and 1905); and one in the Straits Settlements. Two others were opened in Panama (1904 and 1906) while the United States government was engaged in constructing the Panama Canal; and one in Mexico City (1903). The second foreign banking corporation organized was the Continental Banking and Trust Company of Panama. Incorporated in 1913 in West Virginia, it had established four foreign branches before the end of the year, three in Panama and one in Colombia.[36]

## NEW BRANCH BANKS ABROAD

Shortly before the declaration of war in Europe, changes were made in the national banking laws of the United States and in the laws of certain states that served

[34] Phelps, *The Foreign Expansion of American Banks*, pp. 11, 85, 133-34, 137, 162, 139, 141.

[35] One other, opened in 1904 in Penang, Straits Settlements, was closed in 1908.

[36] Phelps, *The Foreign Expansion of American Banks*, pp. 85, 147-48, 154.

to free America's foreign trade from its former dependence on European financial assistance. The Federal Reserve Act of December 1913 authorized national banks to establish foreign branches, to own or participate in the ownership of special foreign banking corporations, and to accept drafts. A market for their acceptances was assured by the terms on which the Federal Reserve banks were created. Revisions made during 1913-14 in the New York state banking law closely followed the Federal Reserve Act provisions regarding foreign banking. Similar revisions followed in Connecticut, the only other state except West Virginia that had formerly granted charters to commercial banking institutions authorizing the organization of foreign branches.

Following the War, Congress passed the Edge Act, December 24, 1919, in an effort to expedite the creation of banking corporations engaged in the financing of exports. This act, amending the Federal Reserve Act, provides for federal incorporation of such enterprises—whereas formerly they had been incorporated under state laws with their shares eligible for ownership by national banks. It was intended that corporations formed under the act should sell their own debentures in the American market and lend the proceeds to foreign importers, taking long-term foreign obligations as collateral for such loans. In short, the Edge Act authorized federal incorporation of investment trusts with the broad purpose of supporting America's export trade.

Four institutions in all have operated under the provisions of this amendment: (1) the First Federal Foreign Banking Corporation of New York; (2) the Federal International Corporation of New Orleans; (3) the First Federal Foreign Investment Trust of New York; and (4) the Chase Bank, an affiliate of the Chase Na-

tional Bank of New York. The first two of these began operations in 1920 and 1921 respectively, and continued in business for several years. The third one began operations in 1926, changed its title to the First Federal Foreign Banking Corporation in 1928, and began liquidating in 1933. Only the last of the four is still active at the close of 1937. With its head office in New York City, this bank operates branches in Paris, France, and in Hong Kong, Shanghai, and Tientsin, China.

As soon as the Federal Reserve law was put in force, the National City Bank established a branch in Buenos Aires, the only one established by any national bank before the end of 1914. By the close of the World War this bank had eighteen branches abroad. Of these, two were in Russia, one in Italy, and the rest in Latin America. It had purchased German holdings in the Bank of Haiti, thus gaining control of that bank in 1916,[37] and in 1915 had acquired the International Banking Corporation with its branches in the Orient, Europe, and Latin America; and this subsidiary of the Bank had added six new branches to the sixteen already owned in 1913.

The First National Bank of Boston, with a branch at Buenos Aires, was the only other national bank having a foreign branch at the close of 1918. Certain other national banks, acting under a provision in the Federal Reserve law, participated in the ownership of foreign banking corporations that established numerous branches abroad during the war and reconstruction period. But these corporations suffered considerable loss from the cancellation of orders and the general contraction in for-

[37] The *Statist*, Oct. 25, 1919, p. 929. This was in addition to a 5 per cent interest acquired in 1910. Benjamin H. Williams, *Economic Foreign Policy of the United States* (1929), p. 55.

eign trade that began in 1920, and only one of them was still in the foreign field at the close of 1924.

As shown by the table below, the foreign branches of American banking institutions numbered 181 by the

The Foreign Expansion of American Banks, 1913–35[a]

Number of Foreign Branches or Subsidiaries

| Banking Institutions | 1913 | 1919 | 1920 | 1924 | 1929 | 1933[b] | 1935[b] |
|---|---|---|---|---|---|---|---|
| I. AMERICAN BANKS AND SUBSIDIARIES: | 22 | 87 | 100 | 94 | 119 | 128 | 118 |
| American Trust Co. | — | — | — | — | 1 | — | — |
| Bank of America Nat'l Trust & Savings Assoc., San Francisco | — | — | — | — | — | 1 | 1 |
| Bankers Trust Co. | — | — | 1 | 2 | 2 | 2 | 1 |
| Chase National Bank | — | — | — | — | 3 | 4 | 6 |
| The Chase Bank | — | — | — | — | — | 5 | 4 |
| Empire Trust Co. | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Equitable Trust Co. | 2 | 2 | 2 | 4 | 4 | — | — |
| Equitable Eastern Banking Corp. | — | — | — | 2 | 2 | — | — |
| Farmers Loan and Trust Co. | 2 | 2 | 2 | 1 | — | — | — |
| First National Bank of Boston | — | 1 | 1 | 2 | 4 | 12 | 12 |
| Guaranty Trust Co. | 1 | 5 | 7 | 8 | 8 | 8 | 8 |
| National City Bank | — | 49 | 57 | 41 | 72 | 78 | 69 |
| Bank of Haiti, Inc. | — | — | — | — | 11 | 12 | 12[c] |
| International Banking Corp. | 16 | 27 | 29 | 32 | 9 | 3 | 3 |
| National City Bank (France) | — | — | — | 1 | 2 | 2 | 1 |
| II. AMERICAN FOREIGN BANKING CORPORATIONS.[d] | 4 | 69 | 81 | 26 | — | — | — |
| American Foreign Banking Corp. | — | 9 | 19 | 3 | — | — | — |
| Asia Banking Corp. | — | 8 | 9 | — | — | — | — |
| Bank of Central and South America | — | — | — | 23 | — | — | — |
| Continental Banking and Trust Co | 4 | 4 | 4 | — | — | — | — |
| Mercantile Bank of the Americas | — | 44 | 45 | — | — | — | — |
| Park-Union Foreign Banking Corp | — | 4 | 4 | — | — | — | — |
| TOTAL | 26 | 156 | 181 | 120 | 119 | 128 | 118 |

[a] Compiled from Phelps, *The Foreign Expansion of American Banks*, pp. 131–66, 211; annual reports of the Federal Reserve Board, 1918–20; and from an unpublished source. This table excludes the private investment banks mentioned on pp 192-93, three of the Edge Act corporations, and the American bank established in Liberia in 1930. The *Chronicle*, Nov. 22, 1930, p. 3296.

[b] For 1933 and 1935 figures are for the end of June; all others are end-of-year figures.

[c] Sold July 9, 1935 to the government of Haiti, at a price of 1 million dollars. The *Chronicle* July 27, 1937, p. 516.

[d] Other foreign banking corporations were organized under states laws and operated under agreement with the Federal Reserve Board, but did not establish foreign branches.

end of 1920, dropping to 120 in 1924, and to 118 in 1935. Of the total number established abroad, about 37 per cent were in Central and South America, 27 per cent in the West Indies, 19 per cent in Asia, 15 per cent in Europe, 3 branches or 1½ per cent in Mexico, and 1 branch in South Africa. In addition there were two Federal Reserve bank branches in Cuba, some eight or more

affiliates of private investment banks, and the banking facilities established abroad by American travel agencies and manufacturing concerns.

In 1929 the American investment in these foreign banking organizations was estimated by the Department of Commerce at the round sum of 75 million dollars, raised to 125 million dollars in 1931.[38] Of this amount the foreign investment of J. P. Morgan & Co. accounts for 5.5 million dollars (the par value of the paid-up portion of their Morgan, Grenfall & Co. shares), plus a pro rata equity in the surplus of the London company, plus a large interest in Morgan, Harjes & Co. of Paris. For the 128 or so other American branches and affiliates abroad the average investment thus indicated is something less than $900,000, a conservative estimate whether applied to 1929 or to 1935.

### GOVERNMENT FINANCING OF EXPORTS

Additional federal legislation has created a number of government agencies directly concerned with the financing of agricultural and industrial exports. The War Finance Corporation, with a capital of 500 million dollars all subscribed by the United States government, was created by an act of Congress early in April 1918, and since January 1, 1925 has been in process of liquidation. Its purpose was to make short-term loans, of five years' duration or less, to American exporters unable to obtain funds on reasonable terms through regular banking channels. The Federal Farm Board, the Farm Credit Administration, and the Reconstruction Finance Corporation, dating from 1931 or later and organized primarily for domestic financing, have all made loans for financing the export of agricultural surpluses.

More recently, the Export-Import banks were created

[38] U. S. Dept. of Commerce, *The Balance of International Payments of the United States*, 1931, p. 44.

to assist foreign trade. The Export-Import Bank of Washington, D.C. was established early in 1934 to finance trade between the United States and the Union of the Socialist Soviet Republics. A little later the Second Export-Import Bank of Washington, D.C. was created to extend certain credits to Cuba, and soon expanded in scope to include all nations except the Soviet Union. When debt negotiations with the Soviet broke down early in 1935, consolidation of the two banks was decided upon. The Second Export-Import Bank was gradually liquidated, and its business transferred to the earlier organization—which also acquired outstanding notes of the Republic of China arising from cotton, wheat, and flour sales prior to the organization of the bank and formerly held by the Reconstruction Finance Corporation and the Farm Credit Administration. The bank's capitalization at the present time is 21 million dollars, all subscribed and paid out of government funds. Its life has recently been extended to June 30, 1939, and an increase in its capitalization is under consideration.

In practice the bank buys the obligations of foreign purchasers of American goods, extending credit up to 50 per cent, or in exceptional cases to 65 per cent, of the credit extended to such purchasers by the American sellers concerned. It has also approved loans to American exporters whose collections in foreign countries have been hindered by the imposition of exchange controls. Such advances are made against the guaranty of a foreign government, or a responsible foreign bank, or both. At the close of 1935 these government corporations held obligations of the German, Chinese, Cuban, and other foreign governments amounting to 25.4 million dollars, reduced to 20.5 millions at the close of 1936—obligations that of course should be classed as

short-term credits or loans, as distinguished from direct investments.

American investments placed abroad in what might be termed "facilitators of foreign trade" have increased from about 140 million dollars in 1897 to about 930 millions in 1936—almost a six-fold increase during a period of forty years. When compared with all American direct investments, however, the increase shown for this group appears less striking, for in 1897 the investment abroad in selling, purchasing, and banking organizations represented about one-fourth of the total, as compared with approximately one-eighth in 1936.

Of the 930 million dollars placed abroad in foreign trade "facilitators," more than half, or about 510 million dollars, represented the amount employed by the American oil companies in the foreign distribution of their products.[39] A relatively small amount was invested in the foreign branches and affiliates of American banks. The remainder was made up principally of the investments in sales organizations, with only a minor amount placed abroad in purchasing organizations. This foreign trade investment is distributed in all parts of the world, wherever trade flows: roughly 40 per cent in Europe, 30 per cent in Africa and the Orient, and about 25 per cent in Latin America. The small remainder represents the amount placed in Canada, where the sales of a great many American manufacturers are handled through branch factories (and therefore classed with the investment in manufacturing), and where, for the purposes of this study, the large investment in oil refineries has been arbitrarily classed with oil production rather than distribution.

[39] A definition for this group of investments is given on p. 187 above.

# CHAPTER X

# THE SEARCH FOR GOLD AND SILVER

Among the earliest of the foreign investments made by Americans were those in gold and silver mining. When the British began placing some capital in Latin America early in the nineteenth century, citizens of the United States shared in the movement in a small way, and from that time forward there was no gold rush anywhere that did not have its American contingent. In spite of its long history, however, this investment has grown slowly. At the present time its value, including a relatively small amount in the mining of precious stones, is about half of the American investment in copper mining and smelting abroad; a little more than one-fourth of that in all metal mining; or approximately one-eighth of the amount that Americans have invested in all mineral production abroad, including the production of mineral oil. It is a class of investment important and interesting for its relation to the world's supply of money. It is also one in which the man of small means has played an important role.

## PROSPECTING AND MINING IN MEXICO

There were Americans among the prospectors who took up mining claims in Mexico in the 1820's.[1] Some American companies in the 1860's were employing engineers to examine mining properties in Mexico and South America, and were taking up claims in those areas.[2] However, it was not until Porfirio Diaz had

[1] David A. Wells, *A Study of Mexico* (1887), pp. 161-62; Alexander Del Mar, *History of the Precious Metals* (1902), p. 363.

[2] Raphael Pumpelly, *My Reminiscences* (1918), Vol. II, p. 549. The *Mines Handbook* for 1916 reports one unincorporated group of copper

seized the presidency in 1876 and had demonstrated his ability to maintain order, that any considerable number of Mexican mines were acquired by Americans.[3] Mexican independence had opened the door to foreign capital, but in the half century or more of political turmoil preceding the Diaz régime, had not created conditions favorable to its growth.

By 1886, about forty mining properties were being worked by American companies.[4] Outstanding among these was the Batopilas Silver Mining Company of New York that was organized in 1880 and for thirty years was a bonanza producer. In 1887 this company was merged with five other American silver mining companies in Mexico to form the Batopilas Mining Company. The new company immediately bought additional property at an aggregate cost of more than 2 million dollars and put 2.7 millions additional in improvements and exploration. It issued 8.9 million dollars of common stock, giving a little more than 5 millions of this in exchange for the stock of the merged companies, and floated a bond issue of almost a half million.[5] Most of the other mines worked by Americans at this time were also silver producers, for comparatively little gold has been found in Mexico, and in the eighties there had been little development of the country's other mineral resources.

By 1902, according to a report made to the State

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mines in Mexico, the Volcancillos Mines, that had been held by the same American family since 1860.

[3] Diaz assumed executive power in November 1876 and the following May was declared constitutional President for a term expiring Nov. 30, 1880. Reelected in 1884 he held office until forced to resign in May 1911.

[4] Wells, *A Study of Mexico*, p. 161.

[5] The aggregate capitalization of the six merged companies had been a little more than 9 million dollars.

Department by Consul General Andrew D. Barlow, there were some 294 Mexican mining ventures belonging to American companies and individuals. These represented an aggregate investment of about 80 million dollars, the greater part of which was in gold and silver mining properties.[6] Nine years later the American Consul at Chihuahua in a report to the State Department estimated America's investment in all Mexican mines at 223 million dollars, and in smelters at 26.5 millions: 250 million dollars in all, or about 24 per cent of all American investments in Mexico.[7]

During the unsettled revolutionary period that began with the overthrow of Diaz in 1911, practically all American mines were closed. Of 110 American mining companies of all kinds whose records we have studied in some detail, only 14 continued in operation from 1914 to the end of 1919. The idle capital involved amounted to 180 million dollars, out of the 1914 total of 302 millions invested in Mexico by these companies.[8] A few extracts from the *Mines Handbooks* indicate the difficulties met by American-controlled mines in Mexico during this period:

[6] U. S Dept. of State, *Commercial Relations, 1902*, Vol. I, pp. 433-539. On page 436 the investment in mining is put at 80 million dollars, but on page 484 the summation given at the foot of the long list of mining properties is more than 95 millions.

[7] *Daily Consular and Trade Reports No. 168*, July 18, 1912, p. 316. The report was prepared by William H. Seamon, a mining engineer with long experience in Mexico. The Fall Committee criticized this report as being too conservative, indicating that estimates for all classes of investments should be increased by about 50 per cent—but the Fall Committee was engaged in assessing the damages suffered by Americans in Mexico from 1911 to the latter part of 1919. 66 Cong. 2 sess., S. rep. 645, p. 16.

[8] A considerable number of other companies identified as American are not included in these figures because the necessary information was not found in the financial manuals used: *Poor's* and *Moody's Manuals* and *Weed's Mines Handbooks.*

Mines closed in September 1915 owing to conditions in Mexico. Certain leases allowed to lapse. (San Toy Mining Co.)

Idle 1912 to early 1917 owing to the revolution. Rich silver ore extracted in 1917 and work again suspended owing to bandits. (Maria Mining Co.)

Owing to troubles in Mexico, only a limited amount of work done from 1914 to 1921 in most of the subsidiary companies. This company in 1920 had practically nothing left but the title to its Mexican claims; had written off 8.4 million dollars of assets, reducing the value of capital stock outstanding to zero; and had started again with new money obtained by issuing new stock (par $2) in exchange for the old stock plus $2 per share in cash. (Mines Company of America.)

Operations stopped most of the time in 1916 and 1917 because of Villistas. Properties were operated for fifteen months by Villa, who smelted 45 bars of gold and stole 96 more. Property robbed. Records burned. Operations resumed in 1918. (Alvarado Mining & Milling Co. )

Good ore body. Idle 1910-1924, but pays all taxes and expects to resume operations as soon as conditions warrant. (Carachin Mountain Copper Co., Ltd.)

The revolutionary leaders noted the closure of the mines and the unemployment and distress involved for many thousands of native workers. In line with their general program of land reform they wanted to divide the mining areas into as many small properties as possible. To prevent the holding of large tracts of land in idleness, Villa, in control of a large area, issued a decree from Monterrey in March 1915, stipulating that, except under certain circumstances, mining property was liable to forfeiture if operations were suspended for a period of sixty days. The Carranza government issued a somewhat similar decree from Mexico City in September 1916. To both decrees the American government emphatically objected that under existing conditions they were confiscatory of American property. Villa

agreed not to enforce his decree, and the Carranza government agreed to take account of circumstances attending the suspension of work.[9]

Article 27 in the new Mexican constitution proclaimed February 5, 1917, gave rise to further serious objections from the American government. Having declared that "in the Nation is vested direct ownership of all minerals or substances which in veins, layers, masses or beds constitute deposits whose nature is different from the components of the land," the article provides that only under certain conditions may concessions for subsoil exploitation be granted to foreigners. The United States insisted that the provisions embodying these conditions should not be interpreted retroactively in the case of American-owned property. After six years of controversy, a somewhat indefinite agreement was reached in May 1923. But the issue was again up for consideration two years later in connection with petroleum lands, and was not finally settled until January 3, 1928, when President Calles signed an amendment to the oil laws of Mexico, providing in general for the confirmation of petroleum rights deriving from contracts and operations prior to May 1, 1917.[10]

By 1919 many mining companies had resumed operation, and Mexico was again the world's principal producer of silver. Some claims lost to their pre-revolutionary owners because leases had been allowed to lapse, taxes had not been paid, or for other reasons, were acquired by new groups of Americans. The de-watering of the mines, and the installation of equipment to re-

[9] Benjamin H. Williams, *Economic Foreign Policy of the United States* (1929), pp. 110-13. On January 10, 1916, eighteen Americans were shot down by Villistas at Santa Ysabel while on their way into Mexico to reopen mines at Carranza's invitation. Herbert I. Priestly, *The Mexican Nation* (1923), p. 432.

[10] Williams, *Economic Foreign Policy of the United States*, pp. 113-19.

pair the damages of time and bandits, occasioned the expenditure of several millions of dollars on these properties. The acquisition of some new mining properties meant an additional American investment in Mexico.

In 1929 the American investment in all Mexican mines, smelters, and mine railways amounted to almost 250 million dollars. A little less than half of this, or about 116 million dollars, was in gold and silver properties, including under this head those whose largest or second largest product, in value terms, was one of the precious metals.[11] Mexico was still the world's largest producer of the white metal, with American capital accounting for almost 80 per cent of the mine and 95 per cent of the refinery product of the country.[12] As a gold producer Mexico ranked well below Canada, the United States, Russia, and Africa, and accounted for only 3 per cent of world output. By 1935 world output of silver had recovered from the low point reached in 1933 to 80 per cent of the 1929 level, with Mexico's relative position practically unchanged. The country's gold output in fine ounces had slightly increased, though not as much as that of the principal gold-producing

[11] If mines that have been inactive for many years, though apparently still under American control, are included, the value of all mining properties in Mexico controlled by Americans is 320 million dollars; and of gold and silver properties, 152 millions. The Department of Commerce, in its 1929 estimate, put American investments in Mexican gold and silver mining properties at about 175 million dollars, including under this caption all mines producing gold and silver in any quantity whatever. (*Trade Information Bulletin No. 731*, pp. 18 and 22.) In 1927 American capital invested in Mexican mines and smelters was estimated at a total of 392 million dollars, or 217 millions in mines, 175 millions in smelters and mine railways. Department of Overseas Trade, *Report on the Economic and Financial Conditions in Mexico, November 1927* (1928), p. 17.

[12] William P. Rawles, *The Nationality of Commercial Control of World Minerals* (1933), pp. 32-33.

countries. In the meantime, the American investment below the Rio Grande may have declined somewhat, partly because of the continued unfavorable attitude of the Mexican government toward foreign capital, with the mining industry no exception to the rule.

## EXPLORATION AND DEVELOPMENT IN CANADA

Gold production in Canada dates from the latter half of the nineteenth century, when prospecting and mining parties that had followed in the wake of the forty-niners moved north from California into Oregon and across the border into British Columbia. Some placer gold was mined in this western province of Canada as early as 1852, and in 1856 a rich find of alluvial gold was reported there, in the Fraser River Valley. Immediately there was a great rush to these diggings, and the following year further and richer discoveries were made. Succeeding years brought other finds: 1858 on the Skagit River; 1859 on the Okangan River; 1860 on Harvey's Creek in the Caribou District; 1863 on Wild Horse Creek and in the Kootenay District; 1867 in the Cassiar District. Alluvial gold was also found in considerable quantities in Nova Scotia in 1861, in Ontario in 1866, in the Eastern townships between 1863 and 1882, and in the Yukon Territory in 1896, resulting in the Klondike rush soon afterward.[13]

Americans were barred from locating placer claims in the Dominion, a law of the Canadian government in force until 1900 denying this privilege to any but British subjects. But this handicap did not prevent them from sharing in the development of all the new fields discovered. It has been estimated that in the 1880's

[13] Del Mar, *History of the Precious Metals,* p. 425; Herbert Marshall, Frank A. Southard, Jr., Kenneth W. Taylor, *Canadian-American Industry* (1936), p. 7; *Mines Handbook,* 1931, pp. 2029, 2653.

Americans furnished more than half the mining capital for Canada.[14] They went into Nova Scotia when gold was found there in 1861—though few of them remained ten years later. They organized several companies to operate in the eastern townships; among others, the Colonial Gold Mining Company with a paid-up capital of 2.5 million dollars. They invested, and lost, about $250,000 in a small gold boom in Hastings, Ontario in 1880. And, as a British writer noted with disappointment in 1899, American and Canadian shareholders owned the great majority of the proved and producing mines and nearly all the prospects in British Columbia.[15]

The real development of Canada's gold resources waited on the mining of her lode ores, principally in British Columbia and Ontario—the two provinces from which more than 75 per cent of her gold output was derived in 1921, and about 90 per cent in 1930. This began about 1887 in British Columbia, but made progress slowly.[16] Little was accomplished in Ontario until 1910, when British, Canadian, and American exploitation in the Porcupine and Kirkland Lake districts proved highly successful.

Apparently American capital took an early share in this more costly type of development, for in 1899, when only a few such mines were in operation, the American-owned Le Roi was described as "one of the best in the world" and one of the four principal mines in the eastern part of British Columbia. The company in control, capitalized at 1 million dollars, had built its smelters at Northport, Washington, eighteen miles

[14] Marshall, Southard, and Taylor, *Canadian-American Industry*, p. 10. In 1909 also it was estimated that half the capital in Canadian mining was American. The *Monetary Times*, Nov. 13, 1909, pp. 2011-12.

[15] J. H. Curle, *Gold Mines of the World* (1899), p. 264.

[16] The same, p. 263; *Mines Handbook*, 1931, p. 2029.

away, with a railway connecting it with the Canadian mine.[17] In the years that followed, American capital and engineering ability continued to move north across the border, sharing in the losses and gains that make up the history of mining. Illustrations may be drawn from the experiences of a few large companies.

Control of the Premier Gold Mine, a bonanza producer in British Columbia near the Alaska line, was acquired by American interests in 1919. Located in 1910, the claims were idle until 1914, when New York interests spent about $60,000 on exploratory work and came within six feet of discovering the rich vein of ore that others found four years later. In 1921 the mine paid dividends of $300,000 in stock and $424,000 in cash on its 3.6 million dollars of outstanding stock—52 per cent of which was owned by the American Smelting and Refining Company and associates. During the following four years cash dividends aggregated 7.9 million dollars, and in the nine years ending in 1929 totalled 14.3 millions—the common stock outstanding having been increased in the meantime to 5 million dollars.

Somewhat similar is the record of Dome Mines, Ltd. This big gold producer located in Ontario—whose president and six of the nine members on its board of directors are Americans—has for many years been a large dividend payer. In the twelve years 1925-36 disbursements were almost 23 million dollars on 953,334 no-par shares which stockholders received in 1923 at the rate of 2 no-par shares for one old share of $9 par.

An 82 per cent stock equity in the Yukon Gold Co. was acquired by the Guggenheims in 1907, but its placer

[17] Curle, *Gold Mines of the World*, pp. 275-77. Of the other three, one was "controlled locally" and the other two were controlled from Montreal. The Le Roi was acquired in 1911 by the Consolidated Mining and Smelting Company of Canada, Ltd.

mine in the Dawson District hardly proved a "Premier." Reports furnished by the experts had been accurate enough regarding the mineral content of this property; the difficulty was that they had failed to take full account of the mine's northern location and the fact that the ground to be dredged was frozen. Thawing with steam preliminary to extracting the placer gold was so expensive as to leave little profit from operations. While dividends aggregating 10.5 million dollars were paid on the 17.5 million dollars of stock outstanding, the company meantime had borrowed 5 millions from the Guggenheims on its serial notes. By 1925 operations in the Yukon had been discontinued, and under Guggenheim direction the company was turning to the purchase of tin properties in the Federated Malay States, where its dredges from the Yukon were again employed. Its first dividend in more than eighteen years was declared in 1936, presumably from earnings on these new ores.[18]

This list might be somewhat extended, for in 1932, when Canada was successfully competing with the United States for second place among world producers of the yellow metal, almost 40 per cent of her product was mined by American-controlled or affiliated companies.[19] It was produced from mines such as those named above, whose ores show high gold content, and also from mines such as the Flin Flon (page 241 below) in which rich copper and zinc ores yield gold as a by-product.

Canada's silver production, despite some dramatic

[18] Gattenby Williams, *William Guggenheim* (1934), pp. 225-26; *Time*, Sept. 28, 1936, pp. 62-64. Gattenby Williams is the pen name under which William Guggenheim wrote his autobiography.

[19] Marshall, Southard, and Taylor, *Canadian-American Industry*, p. 90. In the four years 1931-34, Canadian production of gold exceeded that of the United States; but was again surpassed in 1935.

discoveries, is of minor importance when compared with that of Mexico, or with her own gold output. In 1929, though the world's third largest producer, Canada mined only 21 per cent as much silver as Mexico, and only 9 per cent of the world total. Of this about a half was the output of American-controlled companies and the rest was produced under Canadian control.[20] Some of it was obtained from the Premier gold ores, and a considerable part was a by-product from mines producing principally zinc, lead, and copper.

Silver was discovered in Ontario on the north shore of Lake Superior about 1868. From the beginning many of the properties developed were bought up by Americans, often at handsome prices to their original Canadian owners. But among some six or more undeveloped properties bought by Americans before 1883 at prices of from \$100,000 to \$250,000, only one yielded more than meager returns. This was the Silver Islet, bought by a New York syndicate in 1870, from which 3.5 million dollars of silver were produced before it closed down in 1884.[21] Later decades record many new American ventures in Ontario silver, with large gains realized by a fortunate few.

In 1903 the blacksmith for a railway construction gang near Lake Temiskaming, in Ontario, noticed a white substance trickling out of a fragment of rock blown into his forge when dynamite was used in leveling some of the roadbed. Claims were staked, and samples of the rock were sent to a metal broker in New York. Within nine months the New York broker had bought up the claims for a group of New York capitalists for \$200,000, and the Nipissing Mines Company was formed, with a

[20] Rawles, *Nationality of Commercial Control of World Minerals*, pp. 32-33.

[21] Marshall, Southard, and Taylor, *Canadian-American Industry*, p. 9.

capitalization of 6 million dollars (1.2 million shares, \$5 par). The stock was offered to an uninterested public in 1906 at \$4. Junketing parties were taken to the mine to walk upon the "silver sidewalk." Meantime, the engineers reported new strikes, each richer than the one before. The shares rose to 6, 7, 20, 25. The Guggenheims took an option on 400,000 shares at \$25 a share; and on the Exchange the price went to 33⅞. Then came an engineer's report that the mine's bonanza vein pinched out at a depth of twenty feet. The stock dropped. William Boyce Thompson, who had handled its public issue, bought large blocks of shares on the decline and reorganized the company. While the richest lode had proved a disappointment there were many good ones left, and throughout the next twenty years the company paid dividends of from 15 to 30 per cent or more annually.[22] In 1917 the holding company for Nipissing was re-incorporated in Canada to avoid duplication of taxes but it was still American controlled. In 1930 the mine produced 1.5 million ounces—at an operating loss of \$48,664.

Other Canadian silver mines that have for a time given very satisfactory returns to their American owners, and then stopped paying, are the Slocum Silver Mines, which from 1912 to 1927 paid dividends averaging 23½ per cent a year, and the Silversmith that averaged 24 per cent from 1921 through 1926. Kerr Lake Mines, Ltd., with some property in the United States as well as in Canada, between 1906 and 1928 paid 10 million dollars in cash and \$600,000 in stock on its issued capital of 3 million dollars.[23]

[22] Herman Hagedorn, *The Magnate, William Boyce Thompson and His Time* (1935), pp. 114-27.

[23] Marshall, Southard, and Taylor, *Canadian-American Industry*, p. 102.

In 1929 the American investment in Canadian gold and silver producing properties amounted to about 78 million dollars. This was only 30 per cent of the American investment in all Canadian mines and smelters, for the mineral wealth of Canada, unlike that of Mexico, is primarily in the base metals, particularly copper, nickel, and the non-metallic minerals such as asbestos, coal, and gypsum.[24] This investment probably had been increased by 1935, despite the depression, for Canadian production of gold had increased 60 per cent during this six-year period, though this gain had been somewhat offset by the 30 per cent decline in silver output.

## INVESTMENTS IN OTHER COUNTRIES

One-third of the gold and seven-tenths of the silver output of South America is produced by American capital. The largest South American producer of both gold and silver is Peru, whose output in 1929 accounted for 8.2 per cent of the silver, and only one-half of 1 per cent of the gold, produced in all countries of the world.[25] About three-fourths of that country's smelter production of silver came from the Cerro de Pasco Copper Corp. and its wholly owned subsidiary, Soc. Minera Backus y Johnston del Peru; and most of the remainder from another American company—Northern Peru Mining and Smelting Co. The same two companies ac-

[24] Our data indicate an investment of about 260 million dollars in all Canadian mining or 350 million dollars if mines that have long been idle are included. With bauxite and alumina reduction plants included, these totals are increased by 60 million dollars. These figures may be compared with the 400 million dollar estimate reported by the U. S. Dept. of Commerce, *Trade Information Bulletin No. 731*, p. 15, and with the 237 million dollar figure given by Marshall, Southard, and Taylor, *Canadian-American Industry*, pp. 23-29.

[25] Rawles, *Nationality of Commercial Control of World Minerals*, p. 32; H. Foster Bain and Thomas Thornton Read, *Ores and Industry in South America* (1934), pp. 346, 335.

counted for more than 65 per cent of the mine output of silver in Peru, and 70 per cent of the gold, the gold output of another American company, the Inca Mining and Development Company, amounting to an additional 10 per cent.

In 1929 only 2 per cent of the world's silver output came from Bolivia, South America's second largest producer. The third, Chile, supplied only one-half of 1 per cent. The principal Bolivian companies are controlled by local capital, with some British and American participation. Chilean silver is largely a copper by-product, 35 per cent of which is produced by a subsidiary of the Anaconda Copper Mining Co. In Argentina silver is produced as a lead by-product by subsidiaries of two American companies: the National Lead Co., and the St. Joseph Lead Co. In Ecuador practically the whole output of silver is produced as a gold by-product by an American company, the South American Development Co.[26]

Small quantities of gold, platinum, and precious stones are mined in four South American countries by American-controlled companies: gold is mined in Bolivia by the Bolivian Gold Exploration Co.; in Chile by the Andes Copper Mining Co., a subsidiary of Anaconda; in Ecuador by the South American Development Co.; and in Venezuela by the Burdette Mining and Development Co. In Colombia Americans participate in the production of gold and platinum through their holdings in the South American Gold and Platinum Co. and, through the Colombian Emerald Development Corp., own the principal emerald mines of

[26] Bain and Read, *Ores and Industry in South America*, pp. 342-43. A little silver is produced in Colombia, by British-controlled and native mines.

the country.[27] In Brazil an American company controls and operates a large proven field of black diamonds.

In Central America, American companies are responsible for most of the silver mined, which in 1929 was 1 per cent of the world total,[28] and for the greater part of the gold production. One of the largest, the New York & Honduras Rosario Mining Co., was organized in New York in 1880. On its 2 million dollars of issued stock, this company had paid 8.7 millions in dividends by the close of 1929, having paid more than 2 millions in the four years 1926-29.

In Africa, Americans have long had an important share in diamond production. This dates back earlier than 1907, to the time when Thomas Fortune Ryan became a partner with Leopold II, King of Belgium, in the Société Internationale Forestière, bringing Daniel Guggenheim into the organization with him. By 1913 this company had cleared the jungle, installed machinery, and placed its first diamonds on the market. In 1917 the Angola Diamond Co. (Companhia Diamantes de Angola) was incorporated in Portugal, with 10 million dollars of issued stock, and with Ryan and the Guggenheims assigned a 23¾ per cent interest, later reduced to 19 per cent. The House of Morgan got a share in South African diamonds in 1917 through participation in the 20 million dollar Anglo-American Corporation of South Africa, while the latter company got part of a 19 per cent interest in Companhia Diamantes de Angola in 1923. Anglo-American had already acquired large interests in the other principal diamond producing companies of southwest Africa, as well as in gold and

[27] The same, pp. 334-35, 346; *Mines Handbook*, 1931, pp. 28, 41.

[28] Rawles, *Nationality of Commercial Control of World Minerals*, pp. 32-33.

copper companies. A large block of stock in De Beers was acquired in 1931 through exchange of stock. This is a company controlling about 35 per cent of the world output of diamonds,[29] and one that sold a 4 million dollar stock issue in the American market in 1920.

In Australia American Smelting and Refining has a share in the world's largest silver-zinc-lead mine, through its 20 per cent interest in Mining Trust, Ltd. acquired in July 1930.[30] In the Philippines there are two interrelated gold producing properties that might be classed as either American or Philippine in ownership. Their principal shareholder, while an American, spends most of his time in the Islands, with only occasional visits to the United States. One of these properties, Benguet Consolidated Mining, capitalized at 3 million dollars, paid a dividend in cash of 225 per cent and in stock of 200 per cent in 1934, and for twenty years has paid at rates varying from 12½ to 120 per cent. The other, the Balatoc Mining Co., capitalized at 2 million dollars, has also been a spectacular producer.

Translated into dollar terms the descriptions given above account for an American investment in 1929 of 68 million dollars or more in mining properties producing the precious metals and diamonds in countries other than Mexico and Canada. About 7 millions are placed in Central America. Forty-one millions are in South America: 21 millions in Peru, 11 in Colombia, and the rest distributed among several countries. Twenty millions, probably more, represent the investment of American interests in South African diamonds and gold. The countries represented here show increased produc-

[29] *Fortune*, May 1935, pp. 135-36.
[30] U. S. Bureau of Mines, *Mineral Resources of the United States, 1929* (1932), Vol. I, p. 247.

tion of gold and decreased production of silver for the period 1929-35, indicating some increases and decreases in investment with little net change in the total.

In 1929, after more than a century of investing in many hundreds of foreign mines and prospects, Americans had about 260 million dollars in foreign properties primarily engaged in producing the precious metals and precious stones. The greater part of it, or about 45 per cent, was placed in Mexico, 30 per cent in Canada, a relatively small amount in South Africa, and most of the remainder in South America. In the aggregate, it represented about 3½ per cent of all American direct investments in foreign countries. By 1936 this total had been somewhat increased.

# CHAPTER XI

# FOREIGN OIL AND COPPER[1]

America's rich and varied mineral resources are supplemented by American-controlled producing properties located abroad. Of outstanding importance are the investments in two important industrial minerals, oil and copper. While domestic production of both is fully adequate for the consumption requirements of the nation, the output from American-controlled sources in foreign countries provides a supply from which the companies are able to meet export demands. Many of the properties concerned have been acquired in connection with the exploration and development programs of well-established domestic producers. Pure chance has accounted for the acquisition of some others.

## AMERICAN-CONTROLLED PRODUCTION OF FOREIGN OIL

During the quarter of a century that followed the drilling of the world's first oil well, the business of the oil companies was practically limited to the production and sale of the kerosene needed for lamps and the lubricating oils used by industry. This was changed by

[1] Data for Chaps. XI and XII have been compiled from the following sources: U. S. Dept. of Commerce, *Trade Information Bulletin No. 731* (1930); William P. Rawles, *The Nationality of Commercial Control of World Minerals* (1933); H. Foster Bain and Thomas Thornton Read, *Ores and Industry in South America* (1934); *Mines Handbooks*, 1916-31; *Poor's* and *Moody's Manuals;* U. S. Bureau of Mines, *Mineral Resources of the United States, 1929* (1932), and *Minerals Yearbook 1936;* American Bureau of Metal Statistics, *Yearbook 1936;* the *Commercial and Financial Chronicle.* Information from secondary sources quoted at various points in the chapter has been checked against published reports of the individual companies. To shorten the reference, investments of the oil companies are discussed under the name of the parent companies rather than the subsidiaries concerned.

the invention of the internal-combustion engine in 1882 and the Diesel engine sixteen years later. With these inventions, oil in time became one of the world's principal power producers, and the oil companies found themselves with a commodity having an expanding and almost unlimited demand. The struggle for markets that had been in progress since the beginning of the industry was not abated by the increasing demand for oil. The conflict over sources of supply also became increasingly bitter, affecting the foreign policy of governments as well as the strategy of individual companies.

American investment in foreign oil lands and refineries was under way at an early date. The Peruvian Refining Company, whose president was James Bishop of New York City, was exporting oil as early as 1870,[2] and in the late eighties and early nineties, Herbert Tweddle of Pennsylvania—said to have been connected with Standard Oil—was operating in Peru.[3] Imperial Oil, Standard's Canadian subsidiary, was organized in 1880 to take over the parent company's holdings in the Ontario field, and before 1900 had built a refinery there.[4] In the spring of 1879, James Carrigan, of Ohio, went to Austria and within a year had imported American machinery, brought over American operatives, and opened a refinery.[5] In 1883 the American consul at Odessa noted that some small American concerns were producing crude oil in the Caucasus, while others, having found working conditions altogether unsatisfactory, had sold out to the French and gone home.[6] In 1885

[2] U. S. Dept. of State, *Commercial Relations, 1871*, p. 978.

[3] U. S. Dept. of State, *Consular Reports* (for various years).

[4] Herbert Marshall, Frank A. Southard, Jr., Kenneth W. Taylor, *Canadian-American Industry* (1936), p. 77.

[5] *Consular Report No. 4* (February 1881), pp. 246-47.

[6] *Consular Report No. 35* (November 1883), p. 63. Russia's production at this time was equal to about one-fourth that of the United States.

a former Standard Oil chemist bought an oil field near London, Ontario, getting it at a low price because the crude oil was a malodorous sulphur-containing substance that no one could then convert into good kerosene. Five years of work solved his problem, and soon afterward he sold his investment, including the patent on his process, to his former employers.[7]

In 1900, or two years after the invention of the Diesel engine, Edward L. Doheny got 280,000 acres of what proved to be prime oil land in Mexico (for which he paid $325,000, or a little more than a dollar an acre[8]), and organized his Mexican Petroleum Company of California, the first to obtain commercial production in Mexico. Admiral Chester was then in Turkey, beginning his long-drawn-out bargaining for the right to prospect for oil in Armenia and Mesopotamia.[9] By 1902 Standard of New Jersey was buying large quantities of Rumanian oil for export to various markets,[10] and in 1904 Standard's wholly owned Rumanian subsidiary, Romano-Americana, was organized.

By 1914 the Mexican oil lands, leases, wells, refineries, and other property held by the operating subsidiaries of Mexican Petroleum Co., Ltd., of Delaware —the holding company for Doheny's various operating companies in Mexico—were valued at 57.9 million dollars.[11] Other American companies were also producing

[7] Arthur Pound and Samuel Taylor Moore, *More They Told Barron* (1931), p. 190. Standard was particularly eager to get the sulphur patent which it wanted for handling Ohio crude.

[8] Ludwell Denny, *We Fight for Oil* (1928), p. 44.

[9] E. H. Davenport and Sidney Russell Cooke, *The Oil Trusts and Anglo-American Relations* (1923), pp. 24-25.

[10] Commissioner of Corporations, *Report on the Petroleum Industry*, Part II (1907), p. 426.

[11] In 1915 the company organized a subsidiary whose properties were all in the United States, but practically all of the earlier investments were in Mexico.

oil in Mexico. Standard's investments in Canada and Rumania had expanded considerably, and during the year a Standard subsidiary acquired control of three British companies operating in Peru and exporting to South American west coast ports and British Colombia.[12] In all, the American investment in foreign oil *production* then amounted to at least 143 million dollars: including not less than 85 millions in Mexico, perhaps 15 millions or more in Peru, 5 millions in Rumania, 25 millions or more in Canadian crude and refinery production, with some additional millions represented by concessions and exploration in Colombia, Venezuela, Trinidad, Palestine, Turkey, and Russia.

The development of Mexico's resources involved far-reaching political, as well as economic, consequences for that country. Until 1901, when Doheny and his American associates brought in the first well south of the Rio Grande, the Mexican market had been the monopoly of the Waters-Pierce Oil Company—holding an oil-importing concession from Diaz. H. Clay Pierce of St. Louis had a 35 per cent interest in the company, and Standard Oil the remaining 65 per cent. A tax on oil imports provided revenue for the Diaz government while the profits made possible by their monopoly position were very satisfactory to the distributing company.

All this was changed when, in 1903, Mexican production in commercial quantities was assured. Doheny owned most of the important wells; but other companies were entering the field, British as well as American. As time passed, Diaz granted favored concessions to English oil companies. The American distributing company found its former monopoly destroyed and, because

[12] The *Chronicle*, Apr. 24, 1920, p. 1746; Aug. 28, 1920, p. 901.

of the import tax, was placed at a considerable disadvantage in competing with the domestic product. Finally Pierce demanded removal of the tax, and when refused gave financial assistance to the forces opposing Diaz. The revolution was on, and the dictator's long day of power was over.[13] Madero, who succeeded Diaz, was ousted with the help of English oil money, and his successor, Huerta, was in turn succeeded by Carranza, an ally of Pierce.[14]

During the revolution the oil companies, by paying for protection, escaped the great destruction of property suffered by many of the mines,[15] and with the World War they increased in number and in aggregate output in Mexico. Meantime the Carranza constitution of 1917 nationalized the sub-soil resources of the country[16] and raised difficulties with regard to the companies' oil titles. A 60 per cent export tax levied by Obregon in 1920, and the intrusion of salt water that became serious in important oil areas two years later, added to the difficulties of the industry. Production reached its peak in 1921, when Mexico ranked second to the United States in oil output, and thereafter declined.

Many of the companies stopped further exploration and development in Mexico in the early twenties and began transferring their investments elsewhere. In 1923, for example, Royal Dutch-Shell (British and Dutch controlled) announced abandonment of a refinery completed less than a year earlier at a cost of 4

[13] At this time, 1910, Mexican Eagle, a British-owned company, had 58 per cent of total Mexican production.

[14] Arthur Pound and Samuel Taylor Moore, *They Told Barron* (1930), pp. 140-41; Denny, *We Fight for Oil*, Chap. IV; New York *Herald*, June 28-July 8, 1914; Pierre L'Espagnol de la Tramerye, *The World-Struggle for Oil* (translation 1923), p. 88.

[15] de la Tramerye, *The World-Struggle for Oil*, p. 92.

[16] Referred to on pp. 204-05 above.

million dollars. By 1929 production had fallen almost to the 1916 level, although world production was more than three times what it had been in 1916. In the six years 1930-35 Mexico had dropped to seventh rank among the oil-producing countries, with output below that for 1916, although world production in 1935 was 10 per cent greater than in the pre-depression year 1929.

In Venezuela under the long reign of General Juan Vicenta Gomez, dictator from 1908 until his death in November 1935, foreign capital was favored as it had been in Mexico under Diaz, and competition between British and American companies flourished. A predecessor of the General Asphalt Company began mining operations in Eastern Venezuela in 1891, thus antedating the dictator by almost two decades, but oil rather than asphalt has offered the principal attraction for foreign capital. In 1910 a subsidiary of General Asphalt obtained a concession for the exploitation of Venezuelan oil, and two years later a much larger concession was obtained by another subsidiary of this American company.[17] Wells were drilled, but lacking transportation facilities, the company capped its wells, and in 1913 leased its oil concessions to Royal Dutch-Shell on a royalty basis.[18] Thus Royal Dutch-Shell, in 1917, was the first of the oil companies to begin actual production.

The Maracaibo Oil Exploration Corporation was incorporated in Delaware two years later to take over and develop concessions of more than a million acres in the promising Maracaibo Basin. In 1921 Standard of New Jersey announced the conclusion of a contract

[17] *Petroleum World and Oil Age*, July 1929, p. 59.

[18] The *Chronicle*, Apr. 28, 1923, p. 1891; the same, July 12, 1930, p. 279.

under which they would begin developing certain of this acreage. Gulf Oil made a similar announcement two years later, and in 1922 Standard of Indiana entered the field. Meantime many smaller companies, American and others, were acquiring concessions. The 1922 oil law of the country was practically written by American and British oil men, and rewritten by them in 1925 without basic changes.[19]

Profits under Gomez' "benevolent" régime were tremendous. Crude production and the number of foreign companies operating in Venezuela increased accordingly. In 1928, after ten years of foreign exploitation, Venezuela ranked second among producing countries, with Royal Dutch-Shell accounting for more than half of the output. The Standard companies and Gulf accounted for 46 per cent in 1927; increased to 52 per cent by 1930.[20] The foreign companies were reluctant to build their refineries in the country, however. Fearing the ascendancy of a radical government at Gomez' death, they preferred to make those large capital outlays in countries where the future stability of the government was reasonably assured. Dutch-Shell shipped most of its crude production to its refineries in Curacao and Aruba, Dutch West Indies. The same policy was followed by Standard of New Jersey—with a large refinery in Aruba and small ones in Trinidad. Standard of Indiana, when its 20 million dollar refinery was built in 1929, also chose a site in Aruba.[21] Gulf ships to its American refineries. Despite the government's announced intention of discriminating in favor of com-

[19] Denny, *We Fight for Oil*, pp. 111-12.

[20] In 1931 and later years, Venezuelan production has been exceeded by that of the Soviet Republics as well as by the United States.

[21] Denny, *We Fight for Oil*, p. 115; also *Poor's Industrials*, 1930.

panies maintaining refineries within Venezuela, the country had a capacity in 1930 sufficient to handle only 7 per cent of the crude oil produced.

In Trinidad, American and British capital have been associated in the development of oil. The General Asphalt Company obtained an early asphalt and oil concession from the British government, and in the early 1930's two subsidiaries of the company were producing about 4 per cent of the Island's petroleum. A subsidiary of Standard of New Jersey was producing an additional 2 per cent, and Standard of New York had a small refinery in operation.[22]

When American capital entered Colombia in 1914—with Standard of New Jersey's contract to cooperate in developing lands acquired nine years earlier by the Cartagena Oil Refining Company—it entered at a disadvantage, for the South American republic was still resentful over the loss of Panama in 1903. The position of American companies was considerably improved, however, when the United States Senate ratified a treaty, April 1921, expressing America's regrets for the Panama incident and providing for the payment of a 25 million dollar indemnity. Meantime, 1916, Standard had taken over the two million acre De Mares concession from the original French concessionaire. By the middle of 1920 the company had three producing wells and had a short pipe line, a refinery, tanks, and other improvements under construction.

American participation in the famous Barco concession dates from 1916, with the purchase of the million and a quarter acre tract of jungle land by an American-

[22] Bain and Read, *Ores and Industry in South America*, p. 340.

British syndicate.[23] Early in 1919 John W. Leonard began acquiring large concessions in Colombia and Ecuador, and by 1922 had spent $1,500,000 cash in getting 6,000,000 acres in Ecuador and 2,650,000 acres in Colombia. The *Chronicle* for 1920 and 1921 contains numerous references to concessions obtained in Colombia, exploration and development work under way, and expenditures made by various American companies.[24]

Following the improvement in American-Colombian relations, Standard of New Jersey obtained a pipe line concession from the Colombian government and assurance of continued favorable treatment. Standard also (1921) bought up the Cartagena harbor concession from British interests, and in 1926, with the completion of 356 miles of pipe line built from the De Mares concession by its subsidiary, the Andian National Corporation, was ready to deliver oil to outgoing tankers. The company's production—which was then and still is identical with total Colombian production—increased rapidly thereafter, until curtailed by the world depression. By the summer of 1927 the company had some 30 to 35 million dollars in the pipe line, and large additional amounts in wells, harbor, refinery, factories, roads, railways, and towns—all integral parts of the oil industry.

Colombia's oil field of second importance, the Barco

[23] Denny, *We Fight for Oil*, pp. 119-20. No production was ever attained on the Cartagena properties. The *Chronicle*, Aug. 28, 1920, p. 901.

[24] British companies had also obtained some Colombian concessions, though it is charged that the American government prevented the conclusion of one such grant in 1913. In 1927 the cession of a large tract of land to Anglo-Persian Oil, a company directly controlled by the British government, was blocked by native opposition. Denny, *We Fight for Oil*, p. 136; Benjamin H. Williams, *Economic Foreign Policy of the United States* (1929), pp. 73-77.

concession, was in the hands of the Carib Syndicate for ten years, until in 1925 Henry L. Doherty, its principal American owner, arranged the transfer of a 75 per cent interest to Gulf Refining, a Mellon company, at a price of 1.5 million dollars.[25] The other 25 per cent was retained by the Syndicate, in which Doherty and Dutch-Shell were joint owners. Almost immediately after the transfer, the Colombian government cancelled the concession, charging that the concessionaires had failed to carry on the development work agreed upon. For five years Barco was dragged through the Colombian courts and Colombian politics, and finally in 1931 was granted to Gulf a second time. Included in the terms was the stipulation that a pipe line must be built with its terminal at a Colombian port. Another five years passed during which the concession was aired in American politics. Meantime, Gulf brought in eleven wells that were shut in waiting pipe line transportation. Two other companies, Texas Corporation and Socony-Vacuum Corporation, wanted the Barco oil for their existing refineries. Gulf, with plenty of other producing properties, was willing to part with one that had occasioned so much unfavorable publicity, and the sale was arranged in April 1936, at a price of 12.5 million dollars.[26]

Like other Colombian oil fields, this concession lies deep in mountainous jungles far from water transportation, and therefore will require the expenditure of many millions of dollars before commercial production is possible. Two principal pipe line routes lead to the coast.

[25] Harvey O'Connor, *Mellon's Millions* (1933), p. 194.

[26] Denny, *We Fight for Oil*, p. 120; annual reports for 1935 of Texas Corp., and of Socony-Vacuum; *Time*, May 4, 1936, pp. 65-69; 72 Cong. 1 sess., *Sale of Foreign Bonds or Securities in the United States*, Hearings on S. Res. 19 before Senate Committee on Finance, p. 1665. Discussion of this concession runs through almost 500 pages of these hearings, beginning with p. 1639.

The one now agreed upon crosses the Andes, and was originally rejected as too costly. The other, extending through Venezuelan territory to Lake Maracaibo and the sea, was blocked for many years by political difficulties, and now is definitely barred by agreement.

Elsewhere in the world American companies have long been competing for foreign oil. In Central America and the West Indies they spent large sums on exploratory drilling in the War and post-war period, but have obtained little production.[27] Since the War they have explored in all of the South American countries, with the possible exception of the Guianas, and in 1936 had producing properties in Bolivia, Argentina, Chile, and Brazil, furnishing part of the supply required in those markets.

The foreign expansion of the companies received some encouragement from the government before the War, and aggressive support after the armistice—a policy in which Washington more often trailed than led the government of 10 Downing Street. Four years of war had stressed the vital importance of oil, so that America was deeply concerned over reports forecasting a relatively early exhaustion of her reserves. When the companies reported shortly after the War that laws or administrative regulations were barring them from many coveted foreign fields, the government started a widespread investigation of conditions. Bitter controversies followed: with the British government over oil in Iraq, Palestine, and north Persia; and with the Dutch government over the Dutch East Indies.

In Turkey the pre-war Chester concession was con-

[27] Pound and Moore, *They Told Barron*, p. 158. A great deal of money was sunk in Cuban explorations. Leland H. Jenks, *Our Cuban Colony* (1928), p. 294.

firmed by a larger grant after the War, but the Admiral was unable to marshal the supply of capital required, and in the skirmishes that ensued over control of the territory, his claims were forgotten. A British-French agreement undertook to bar all Americans from the oil of this region, against which the American government sharply protested. When the conflicting groups finally reached a settlement in May 1931, the boundaries of Britain's new mandate, Iraq, had been extended to include the best of the oil, and a combination of Gulf and four Standard companies had obtained the 23.75 per cent interest in the Iraq Petroleum Company assigned to the Americans.[28] In Palestine, post-war work on a Standard concession was blocked for a time by British interference, but was finally resumed.

To open the Dutch East Indies, where several companies were anxious to enter,[29] the United States in 1922 refused to grant a lease on public lands to a Royal Dutch-Shell subsidiary and threatened further retaliation. Several years of negotiation followed before the two governments reached a settlement, under which American participation in Dutch East Indian oil was arranged, and the privilege of leasing public mineral lands in the United States was restored to Dutch nationals. Meantime two Standard Oil companies had begun exploration in southern Sumatra.

In Portuguese West Africa Thomas F. Ryan found oil while searching for diamonds, and by 1922 had se-

[28] Denny, *We Fight for Oil*, pp. 21-23, 35-38, and Chap. IX; the *Chronicle*, Mar. 12, 1923, pp. 2076-77; *The* (London) *Economist*, May 23, 1931, p. 1095; Williams, *Economic Foreign Policy of the United States*, pp. 62-69. By 1935, two American companies had bought out the other three; and the American share, judging from data given in Socony-Vacuum's 1935 annual report, was about 22 million dollars.

[29] As early as 1899 the Dutch government had prevented Standard Oil's entry into this field.

cured the cooperation of Sinclair, who put four rigs drilling in the field; but the oil proved too heavy to be transported to the coast by pipe line. Two years later Sinclair was also drilling in territory lying along the Gold Coast, but apparently without satisfactory results.[30] Africa, while a prospective producer, is still an importer of oil.

The table below summarizes the American investment in foreign oil-producing properties. The figures are in millions of dollars.

| | 1929 | | 1935 | |
|---|---|---|---|---|
| Europe: | | | | |
| Rumania | | 20 | | 20 |
| Canada and Newfoundland | | 55 | | 55 |
| West Indies: | | | | |
| Aruba | 45 | | 45 | |
| Trinidad | 7 | 52 | 7 | 52 |
| Mexico | | 206 | | 206 |
| Central America | | 3.5 | | 3.5 |
| South America: | | | | |
| Colombia | 136 | | 126 | |
| Peru | 68.5 | | 60 | |
| Venezuela | 240 | 444.5 | 240 | 426 |
| Asia: | | | | |
| Palestine, Syria, Cyprus, and Iraq | 7 | | 25 | |
| Arabia, including Bahrein Island | 1 | | 10 | |
| Netherlands East Indies | 65 | 73 | 75 | 110 |
| Total | | 854 | | 872.5 |

As indicated on page 187 above, investment in production, as distinguished from distribution, is arbitrarily defined here as investment in countries where the principal business of the oil companies is concerned with obtaining crude from the ground, rather than with sales of the refined product. By an extension of the definition, Canada and Aruba, with their big Standard refineries where

[30] Pound and Moore, *They Told Barron*, pp. 158, 132, 154, 164.

crude from Peru and Venezuela is refined for distribution to various world markets, have also been classed with the producing countries.[31] A breakdown is thus provided which makes possible a rough indication of the extent to which American capital is employed in the exploitation of foreign oil.

Between 1929 and 1935, as shown by the figures above, the total American investment in foreign oil production increased by at least 18.5 million dollars.[32] This included the new pipe line built by the Iraq Petroleum Co., in which American companies have a share; the development work started by Standard of California in 1931 on Bahrein Island in the Persian Gulf, with the refinery erected there in 1935; other development work in the Near and Middle East; and some decreases in the South American investment—where subsidiaries had paid dividends in excess of earnings, partly at the expense of routine development work. Various new concessions were also acquired, but cannot be valued for inclusion in the 1935 figure. Standard Oil of New Jersey and Socony-Vacuum, for example, both acquired large tracts in Venezuela; Standard of California obtained an even larger grant in Borneo; and two Standard companies cooperated with Royal Dutch-Shell in organizing a company to exploit concessions in Dutch New Guinea.

Since 1935 there have been some further additions to the American investment in foreign oil. A Standard of New Jersey subsidiary brought in wells in a new producing area in Canada. A number of companies are spending some millions of dollars in exploring the

[31] The investment in oil distribution is shown on p. 187.

[32] This total of course obscures the fact that during this depression period some of the larger companies strengthened their position in the foreign field by absorbing the holdings of smaller companies.

eastern portion of Venezuela where the discovery of oil in tremendous quantities is predicted, but not yet realized. Here Standard of New Jersey acquired a million acre concession. The company has announced its intention to build a large refinery in the country—a pledge that probably was exacted in connection with the new concession.

Standard of California obtained new concessions in Arabia and in Sumatra and Java, which will be developed in cooperation with the Texas Corporation. Seaboard Oil, after negotiations extending from 1935 to early 1937, obtained exploitation rights for 75 years to "every foot of Afghanistan's 270,000 square miles." Although not yet tested, this territory is hailed by the press as "probably the greatest untapped oil reserve in the world," for it contains many natural oil seepages, and at the present time oil is being produced in large quantities north of Afghanistan and along the eastern border. Seaboard has also obtained a sixty-year permit to drill for oil in Iran (Persia) and to construct a pipe line from both Iran and Afghanistan. Across the Persian Gulf from Iran, in the state of Kuwait, a new oil concession is being tested by a company in which Gulf Oil holds a 50 per cent interest.

These new concessions and explorations, as the president of Seaboard Oil indicated, will give American companies an opportunity to spend much money abroad. Eventually the new properties probably will represent a considerable addition to America's foreign investments.

### INVESTMENTS IN FOREIGN COPPER

Copper is an ancient metal whose industrial uses have continued to increase with the many discoveries and inventions of the electrical age. Its principal con-

sumer is the United States. The invention of the telegraph in 1835 and the stretching of the first wires in the forties, the laying of the first transatlantic cable in the fifties, the early use of the telephone in the seventies, the birth of the power and light industry in the eighties, and the coming of the automobile in the first decade of the present century all initiated new uses for copper that have expanded its consumption enormously. In 1929 the world used 65 times as much copper as in the average year of the forties, and 21 times as much as in 1860.

Paralleling these inventions were discoveries of new sources of supply; also new processes of handling the ore. Mines once worked by a forgotten tribe of Indians were discovered in the 1840's in Michigan. In the fifties and sixties other rich copper ores were located and mines opened in the Lake Superior district. At the beginning of the eighties, the recently incorporated Anaconda Silver Mining Company discovered that its ore body at Butte was principally copper, not silver, and that it was greater in size and richness than any the world had known. With this discovery the United States became the world's leading copper producer, passing Chile, that had held first rank for more than thirty years.[33]

During the next thirty years most of the great copper discoveries were made in the United States: in the location of mines and also in technology. By 1910 the United States was producing three-fifths of the considerably expanded world output. Then luck turned: the great copper ore bodies discovered in succeeding years were in foreign countries. Until the comparatively recent

[33] Ira B. Joralemon, *Romantic Copper* (1935), pp. 49-76. Bain and Read, *Ores and Industry in South America*, p. 213.

discoveries in Rhodesia, these new sources of supply were developed largely under American control, and therefore offered no direct threat to the country's continued supremacy in the copper industry. Even in Rhodesian copper, Americans have a large minority interest, though control lies with the British.

An early and spectacular American venture in Mexican copper mining began in 1898 when "Bill" Greene, a picturesque small cattle man who had spent a good many years in the mining camps of the West, rode a little farther south of the border than usual to round up his cattle. Greene noted signs of copper at Cananea Mountain, and was soon in possession of an option on the property. He organized the Greene Consolidated Copper Co. and the following year, with funds obtained from Wall Street, began a spending orgy in its development. He had fifty big mule teams hauling supplies and machinery down from the border; hired an army of American miners, machinists, and carpenters at good wages; built an American town, a big smelter, and a concentrator.

By the end of 1901 Greene had spent 6 million dollars, raised to 12 millions by the middle of 1905—of which he had returned 3 millions in dividends to the stockholders. Optimistic regarding this venture he formed a new company, Greene Gold and Silver, capitalized at 25 million dollars, to take over and work some 4,000 square miles of old gold and silver mining claims that he expected to make profitable by the use of modern machinery. A lumber company and an irrigation company were added to his list of projects, and in 1906 the market set a value of 100 million dollars on the four enterprises. As private ventures in Mexico he built and sold a railway; bought land and stocked one of the

best cattle ranches of the day. But at last the Street would no longer buy stock to cover his deficits and in the latter part of 1906, other American interests acquired Greene's copper holdings, which they capitalized at 50 million dollars and later turned over to the Anaconda Copper Company. Nothing at all was salvaged from Greene's other Mexican companies. In 1926 when Cananea's various mines had little ore left that was worth the mining, the company located a new body of rich ore on its properties and within two years had a new mine, La Colorada, which again made this company the principal copper producer of Mexico.[34]

A copper claim at Nacozari was worked by the Guggenheims in the early nineties, several years before Greene began his Mexican mining career. At the time, the Guggenheims were principally interested in lead and silver; and by the application of silver smelting technique to Nacozari ores were producing copper at a considerable loss. A bid for the property by the Phelps Dodge group, then organized as the Copper Queen Consolidated Mining Company, was readily accepted, and in 1895, the Moctezuma Copper Company, a Phelps Dodge subsidiary, was incorporated in West Virginia to take over the property. The issued capital of the new company was put at 2.6 million dollars, but in the Phelps Dodge general balance sheet, when that conservative company was organized, it was carried at 8 million dollars—not an exorbitant figure for a subsidiary that had paid the parent company 9.7 million dollars in dividends by the close of 1914.[35]

Since Diaz' downfall in 1911, Moctezuma opera-

[34] Joralemon, *Romantic Copper*, pp. 136-65, 271-72. A small American company had begun operating and failed near Cananea in the 1880's.

[35] The same, pp. 216-17. Joralemon appears to be in error in stating that the Guggenheims were still in control of the property as late as 1904.

tions, like those of other foreign companies in Mexico, have sometimes been interrupted by bandits, and profits have been further pared down by the imposition of a heavy export tax on copper, and greatly increased taxes on mining claims. Production has been maintained, however, and somewhat increased, giving the company second rank among Mexican copper producers according to 1931 figures, with Greene Cananea in first place.

Many other Mexican copper companies were organized by Americans around the turn of the century. The sample list of companies, below, gives an indication of the movement that was then under way and that increased in momentum until interrupted in 1911.

1900:

The San Luis Mining Company was incorporated in West Virginia to operate mines in Durango, and issued 3 million dollars of common stock. The company paid dividends in 1916 but thereafter suspended operations because of the revolution.

The Indiana Sonora Copper & Mining Company was incorporated in West Virginia; mines in Sonora; issued 3.7 million dollars of common stock; and later was taken over by Phelps Dodge Corporation.

1901:

The Transvaal Copper Company was incorporated by a Cincinnati, Ohio, group to operate mines in Sonora. Originally 5.3 million dollars of common stock were issued, but this was later reduced to 4 million dollars, the amount shown in 1931 reports.

The Cieneguita Copper Company was incorporated in Arizona; mines in Sonora; issued 7.6 million dollars of stock; and in the late 1920's was reported idle awaiting more settled conditions in Mexico.

The Jimulco Mining Company; mines in Coahuila; was incorporated in Texas, with 1 million dollars of capital stock; was paying dividends within a few years; and later was acquired by a subsidiary of the American Metal Company, Ltd.

1902:

The Bufa Mining, Milling, and Smelting Company, with high grade copper ores in Sonora, was incorporated in Arizona; issued 1 million dollars of stock; paid five dividends before the middle of 1905 when operations were interrupted by Yaqui Indian troubles; and since 1911 has been idle.

The Choix Consolidated Mining Co., with mines in Sinaloa and Chihuahua, was incorporated in Arizona; issued common stock of more than 3 million dollars; and by 1931 had slightly increased its issued capital.

Some developmental work in Mexico has continued down to the present time, though there has been a tendency in later years for this to be undertaken largely by existing companies.

The rich mineral deposits of Peru have been known to the world since the sixteenth century when the Spaniards despoiled the Incas of their treasure and put them to work in the mines producing more. Silver bullion from the Cerro de Pasco district, high up in the Andes, was then carried 200 miles to the coast by llama pack train, but most of the Cerro de Pasco copper had to wait cheaper transportation. When the Central Railroad of Peru was built in 1870, with a line of track passing within eighty miles of the copper district, development was held back by the tremendous engineering difficulties encountered. Finally in 1902 the Cerro de Pasco Mining Company was formed by interests in control of the Homestake Mining Company, with the cooperation of J. P. Morgan. The cost of developing the properties was then estimated at 5 million dollars, but by 1907 the company had spent 12 million dollars and production had not yet begun. A railway and refinery were built, a coal mine opened, and expensive mine developments financed. By 1912 the investment had

increased to 25 million dollars. Profits were being realized but were used for further development. Dividends were first paid in March 1917, when the company's investment amounted to almost 40 million dollars. After the World War, new properties were acquired in Peru; a new smelter was completed in 1922 at a cost of 9 million dollars; production became highly profitable, and by 1935, 60 millions had been paid in dividends. Meantime the company's Peruvian investment was written down to about 40 million dollars in 1929, and to 35 millions in 1935.[36]

A new technique of copper production was developing in the United States in 1899-1903 based on the theory that low-cost copper could be produced from low-grade ores if the scale of operations were large enough. It was this technique that was relied upon for success at Cerro de Pasco and it was this technique that sent an American engineer prospecting in Chile in 1903.

William Braden, at one time engineer for the American Smelting and Refining Company, went to the west coast of South America in search of the large bodies of low grade ores he believed must be in the neighborhood of the rich copper mines once worked by the Incas. From a brief exploration of Peru he turned south to Chile where he found an ore deposit of fair grade and of tremendous size. In 1904 he took an option on the property and organized the Braden Copper Company. The engineering difficulties involved in developing his find were gigantic. So much capital was required that, like Greene and many of his other contemporaries, he soon was selling his company's stock in New York to get funds for carrying his plans forward.

[36] The same, pp. 234-38. Bain and Read, *Ores and Industry in South America*, pp. 274-84, 295-96.

Finally, in 1909, with most of his engineering problems solved, Braden sold control to the Guggenheims. Six years later they sold 95 per cent of the company's stock to the Kennecott Copper Corporation,[37] at a price that put a valuation of about 57 million dollars on the company's investment. In 1918-20 Braden Copper Company realized an operating profit of 20 million dollars, but not until 1923 were any dividends paid, prior earnings having all been turned back into the company.[38]

Another group of old Chilean mines, in the Chuquicamata copper district, was offered to the Guggenheims as early as 1901 but was refused on the basis of what proved to be erroneous reports by the experts. Success with Braden copper argued for another examination of Chuquicamata around 1911. This time the reports were highly favorable, and the mines were at once acquired by Burrage, of Amalgamated Coppers, in cooperation with the Guggenheims, at a price reported to have been in the neighborhood of $100,000. The Chile Exploration Company, capitalized at 1 million dollars, was formed to develop the property. After a year's work, this company was absorbed by the newly organized Chile Copper Company (1913). From that time forward operations were on a tremendous scale. Chile Copper, with issued capital of 95 million dollars, floated a 15 million dollar bond issue in 1914, and by 1919 had increased its bonded debt to 50 millions. The

[37] Kennecott, which was organized by the Guggenheims in 1907 to develop Alaskan copper, was financed partly by the millions won in Mexican mines, partly by J. P. Morgan funds. Joralemon, *Romantic Copper*, pp. 219, 242.

[38] The same, pp. 240-43. Bain and Read, *Ores and Industry in South America*, pp. 219-21. The *Chronicle*, Feb. 5, 1916, pp. 524, 526; Feb. 19, 1916, p. 714. Since 1925 the company's balance sheet has been included with that of Kennecott.

company was producing at a profit by 1916, but it was 1923 before the stockholders were paid any dividends. By that time Anaconda was bargaining for control of the company, as a source of copper for fabricating by the American Brass Company, an Anaconda subsidiary. The Guggenheims were reluctant to sell, but the transfer was made before the end of the year at a price that placed a valuation of about 175 million dollars on the entire American investment in Chile Copper, or about 30 million dollars more than the book value of the investment twelve years later.[39] The 1929 balance sheet placed a value of 163 million dollars on outstanding stock, bonds, and surplus.

A third great body of Chilean copper, the Potrerillos, was acquired by Americans in the pre-war period. This was developed by the Andes Copper Mining Company, a joint project of William Braden and Anaconda, organized in 1916 with a nominal capital of 50 million dollars. Braden's engineering explorations in connection with this property date back to 1913, but active development did not begin until three years later. By 1924 some 20 million dollars had been spent without any public participation in the financing. Many more millions were needed, however. An issue of convertible bonds was sold, followed by a public issue of stock, and by 1919 the book value of the investment in Andes Copper and its subsidiaries had reached 85.6 million dollars, increased to 86.9 millions by the end of 1935.[40]

At the turn of the century American prospectors and miners were searching for copper north of the Canadian

[39] Joralemon, *Romantic Copper*, pp. 243-51. Bain and Read, *Ores and Industry in South America*, pp. 221-22. *Moody's Manual*, 1923, p. 1560. Gattenby Williams, *William Guggenheim* (1934), pp. 224-28.

[40] Joralemon, *Romantic Copper*, pp. 249-51. Bain and Read, *Ores and Industry in South America*, pp. 222-25.

boundary as well as south of the Rio Grande. A number of companies date from 1900 or thereabouts. Among these is Granby Consolidated, which was organized in 1901 with 15 million dollars of capital stock, increased to 44 millions in 1927, and was in process of gradual liquidation in 1936. In 1908 the Howe Sound Company organized a Canadian subsidiary, the Britannia Mining and Smelting Company, which in 1914 represented an investment of about 3.6 million dollars, increased by 1929 to 13.7 millions, largely from re-invested earnings.

The copper-zinc-gold producing Flin Flon mine was discovered in 1915 and for the next twelve years was under option to various American and Canadian groups, who spent in all about 2¼ million dollars on its acquisition and development. Finally in 1927 the Hudson Bay Mining and Smelting Company was incorporated to operate the mine, and the Canadian National Railway began laying track to connect it with the main road. Of the 2.5 million shares of stock issued, 1.5 millions were sold for cash, netting the treasury 17.5 million dollars. The remaining shares were allotted to the organizers of the company. Production began in 1930 and a 5 million dollar bond issue was sold the same year. In 1935, with these bonds retired out of earnings, the company paid its first dividend.[41]

By far the largest producers of Canadian copper, past or present, are two mines that began producing just as the world was stumbling into depression. The Noranda Mines, Ltd., a company that had been struggling along since 1920 on a meager supply of ore, found a bonanza ore body in 1928 that by 1930 had given the company first place among Canadian copper producers.

[41] *Mines Handbook*, 1931, p. 2275; *Time*, July 29, 1935, p. 47.

International Nickel found the other in a prospect known as the Frood, which the company had owned for many years but had considered a nickel reserve of secondary importance. In the post-war period, this prospect was explored for nickel and proved to be the greatest copper mine—except Utah Copper—on the North American continent. By 1931 this mine had raised International Nickel's copper production to a higher figure than the combined output of any other two Canadian companies, and by 1934 International Nickel accounted for more than half the aggregate Canadian output of copper. In Noranda, American participation had sunk to a small minority holding less than a year before the bonanza discovery. In the Frood, American ownership is larger than that of any other nationality, the American equity in International Nickel usually fluctuating narrowly between a 40 and a 45 per cent interest.

Aside from the amounts placed in Mexico, Peru, Chile, and Canada, the American investment in foreign copper is not large. There is a small amount in the Island of Cyprus and in Cuba, and more important holdings in South Africa.

On the Island of Cyprus, American engineers had located copper in the pre-war period and in 1922 were shipping ore from there. They incorporated in New York as the Cyprus Mines Corporation in 1916, and in 1936, with 1.5 million dollars of stock issued, were reporting some recent additions to plant.[42]

In Cuba the American Metal Co., Ltd., whose shares are widely held in the United States, has a controlling

[42] Joralemon, *Romantic Copper*, pp. 1-13, Walter E. Skinner, *Mining Year Book*, 1936, p. 155.

interest in the Minas de Matahambre. This company is the Island's only copper producer. In 1921 its capitalization was 9.2 million dollars—but against this there was an accumulated deficit of 5.1 million dollars in 1929, and of 3.7 millions in 1935.

In Rhodesian copper, J. P. Morgan, Newmont Mining, T. F. Ryan, and the Guggenheims have an interest in Rhokana Corporation.[43] Through the American Metal Company, Americans in 1929 held a minority interest in the Rhodesian Selection Trust, Ltd., Roan Antelope Copper Mines, Ltd., and also in Bwana M'Kubwa Copper (later acquired by Rhokana).[44] A 3 million dollar offering of Roan Antelope stock was taken in the American market in 1928, and the 1929 balance sheet of Mayflower Associates, Inc., showed holdings of Rhodesian Congo Border Concession, Ltd. (later included in Rhokana), that had cost 4.3 million dollars. By 1935 the holding in Rhodesian Selection Trust had increased to a majority interest, valued at 13.9 million dollars.[45] A 22 per cent interest in the South African Copper Co., Ltd., had been acquired and some other additions to South African holdings had been made. Other American corporations known to have an

[43] *Fortune*, September 1931, pp. 114-16. The estimate at which we have included the American investment in Rhodesian copper is subject to a wide margin of error; though probably much nearer the mark than information sometimes given in corporation balance sheets. The 1933 and 1934 balance sheets of Rhokana, for example, place a valuation of *five dollars* on the mines from which the company's sales of metal for the year amounted to 9.5 *million* dollars, an undervaluation of assets of rather large proportions.

[44] More particulars are given by Alex Skelton in *International Control in the Non-Ferrous Metals* (1937), p. 471. While large blocks of American Metal Company stock are held in Great Britain, those are included among foreign holdings of American securities, and therefore are not to be taken account of here.

[45] The *Chronicle*, Sept. 2, 1933, p. 1766; Feb. 23, 1935, p. 1300.

interest in Rhodesian copper are the Rhodesian Anglo-American Corporation, Lehman Brothers, and Case, Pomeroy & Co., Inc.[46]

In 1929 the American investment in foreign copper was distributed approximately as follows (in millions of dollars): Chile, 305; Mexico, 98; Canada and Newfoundland, 74.5; Peru, 42.5; South Africa, 25 or more; Cuba, 5; and 1.5 in the Island of Cyprus. A reduction in the valuation of the Chilean properties by 1935 was practically offset by an expansion of the investments in Canada and South Africa. Meantime, this large body of foreign properties had not only been subject to the vicissitudes of the world depression, but in 1932 they had been cut off from their parent companies in the United States by the imposition of an American tax that practically amounted to an embargo.

Prior to this, American companies operating abroad had followed the practice of sending copper matte to American refineries along the Atlantic seaboard, the refined product becoming part of the large pool from which domestic and foreign requirements were supplied. Following the imposition of the tax they shipped their output directly to foreign markets, though progress was impeded by a shortage of refinery capacity outside the United States. With the lifting of the depression this is being remedied. American capital is going into new refineries in the copper-producing countries, superseding those in the United States whose doors have been closed against foreign ores.

By 1929 American companies had accumulated an investment of about 854 million dollars in American-

[46] Skelton, *International Control in the Non-Ferrous Metals*, p. 447.

controlled and managed oil-producing properties abroad, and almost 552 millions in copper. Oil and copper together thus accounted for about 1.4 billion dollars. This was more than five times the American direct investment in foreign gold and silver mining, and a little more than two-thirds of the amount invested in all mineral production abroad. By 1935 almost 20 million dollars had been added to the investment in oil-producing properties abroad, but the aggregate investment in copper was slightly reduced. Further expansion in the oil investment was apparent in 1936, and in both oil and copper in the early months of 1937.

# CHAPTER XII

## OTHER INDUSTRIAL MINERALS

The growth of modern industry has required an ever-expanding production of the old well-known minerals, and the discovery of others that formerly existed only in the imagination of metallurgists or as laboratory curiosities. For some of these important raw materials, the United States is more or less dependent on foreign sources of supply. Others are brought in for processing and re-export. American investment abroad in a group of four important gray metals—aluminum, lead, nickel, and zinc—is closely integrated with domestic mining and metallurgical activities. This is not true, however, of the investment in tin, a metal that for political and technical reasons is smelted in Malaya, Great Britain, and of late years in Holland.

Without exception these five metals find their principal market in the United States—American consumption of zinc normally accounting for almost a third of world production; of tin, around 45 per cent; and of aluminum, lead, and nickel, approximately 50 to 55 per cent. For nickel and tin consumption requirements the United States is on an import basis. For the rest, domestic resources are adequate.[1] Together with iron and its various alloy metals and the non-metallic minerals, these make up about 23 per cent of the American investment in foreign production of industrial minerals—oil and copper together accounting for the other 77 per cent.

[1] Domestic bauxite—aluminum ore—actually supplies about 54 per cent of American requirements, but transportation costs and the labor-cost differential make it cheaper to supply the rest from the Guianas than from American sources. Harvey O'Connor, *Mellon's Millions* (1933), p. 212, and Brooks Emeny, *The Strategy of Raw Materials* (1934), p. 29.

## ALUMINUM

America's foreign investment in aluminum dates from 1899, and by 1929 amounted to approximately 66 million dollars. Aluminum in 1884 was a rare metal selling at the price of silver, $16 an ounce. Four years later a young man in Ohio had invented a new process for extracting the metal from refined aluminum ore, and was producing more than he could sell at $2 an ounce.[2] The help of Andrew Mellon was sought to finance further expansion and a million dollar corporation was organized.[3] By 1929, when the balance sheets of the Aluminum Company of America and its Canadian subsidiary, Aluminum Limited, together showed foreign and domestic assets of 300 million dollars, world production of primary aluminum amounted to 265,800 metric tons—priced in New York at 24 cents a pound. Though independent European companies were producing a considerable share of this, the American and Canadian companies accounted for 133,000 tons, and European subsidiaries for some additional tonnage. About 46 per cent of the bauxite—aluminum ore—consumed by the two North American companies was supplied by subsidiaries in the British and Dutch Guianas. The company's bauxite deposits in France, Germany, and Yugoslavia supply their subsidiaries in Norway and Italy.

The company's first foreign properties were acquired in 1899 at Shawinigan Falls, Quebec, with an eye to the cheaper electrical power and plentiful labor supply available there, and the entry provided to British Empire markets. In 1925 the company acquired the Canadian Manufacturing and Development Company and

[2] The invention was made in 1886 by Hall in America, and independently by Heroult in France.

[3] O'Connor, *Mellon's Millions*, pp. 80-81; Donald Wilhelm, *The Book of Metals* (1932), pp. 135-66.

the Quebec Development Company, both of which had been recently organized by Americans as prospective aluminum producers; and a short time later a 53½ per cent interest in Duke-Price Power was added to the list. In 1928 the Canadian corporation, Aluminum Limited, was formed to take over the properties in Canada and elsewhere outside the United States. The investment in aluminum production in Canada was booked the following year at 56 million dollars, increased to 65 millions in 1935.[4]

The bauxite deposits in British Guiana were acquired near the opening of the World War and those in Dutch Guiana in 1925, the two together being valued on the company's 1929 balance sheet at a half million dollars. Ores in France and Dalmatia (part of post-war Yugoslavia) were acquired before the war, and since the war the holdings in Yugoslavia have been increased, and some acquired in northeastern Italy (former Istria). Interests in aluminum reduction works in Norway were bought in 1923, power sites in Norway and the French Pyrenees added two years later. Shortly afterward, a small aluminum plant was built in Italy, and the American company participated with French and Swiss producers in a small Spanish enterprise. In all, the European investment amounted to about 9.8 million dollars in 1929, of which 5.4 millions were in Norway and 2.7 millions in Italy.[5]

[4] The Canadian company, while legally an independent corporation, for all practical purposes is a subsidiary of the Aluminum Company of America. J. D. Edwards, F. C. Frary, and Zay Jeffries, *The Aluminum Industry* (1930), Vol. I, pp. 32-33; Herbert Marshall, Frank A. Southard, Jr., and Kenneth W. Taylor, *Canadian-American Industry* (1936), pp. 102-07.

[5] O'Connor, *Mellon's Millions*, pp. 85-86, 165-69, 177. Donald H. Wallace in *International Control in the Non-Ferrous Metals* (1937), pp. 211-76, particularly pp. 237-38.

## LEAD

The United States is the largest consumer of lead in the world, and since 1875 has met domestic requirements from ores mined within the country. An additional 25 per cent of lead metal has long been produced in the United States from foreign ores, and exported under the bonded smelting provision of the tariff—first included in the law of 1890—with benefit of drawback.[6] In Mexico there are many American smelters exporting directly to foreign markets. Some are located in other lead-producing countries.

The American tariff of 1883 placed a duty on lead ore imports but said nothing concerning silver ores containing lead,[7] and under this law much silver-lead ore undoubtedly entered the country duty free. The McKinley Tariff of 1890 closed this gap, definitely making the lead content of silver ores subject to the duty, and by so doing hastened the investment of American capital in Mexican lead. The Guggenheims, who had been buying high-grade silver-lead ores in Mexico for their Colorado smelter, saw that this change in the law would reduce their profits from such purchases. Under the new drawback provision of the law, they could avoid the duty on lead they exported, but not on that sold in the higher-priced American market.

To meet the changed situation they decided on a smelter below the Rio Grande. A concession for building

[6] Lead ore furnishes the most economical fluxing material for the smelting of certain gold and silver ores. Imports of foreign ores are required for this purpose to supplement the domestic supply.

[7] U. S. Tariff Commission, *Tariff Information Survey*, C. 21 (1921), pp. 16, 44. The precious metal content of the ores has always been exempt from duty. Writing in 1886, David A. Wells credited the American tariff with preventing Americans from operating more mines in Mexico and sending their ores into the United States for smelting (*A Study of Mexico*, pp. 161-62).

one at Monterrey was secured from Diaz. Machinery and equipment were bought in Chicago, lumber in Texas, and, under the terms of the concession, entered Mexico free of that country's prohibitive imposts on such goods. Mines were acquired and arrangements made for railway facilities, ore-purchasing agencies, and other Mexican expansion. Before the end of 1891 the Mexican venture was in operation on a profitable basis, the first of the Guggenheims' vast chain of foreign properties.[8] The Compania Metallurgica Mexicana, a New Jersey corporation organized in 1890 for operation in Mexico, built a smelter at San Luis Potosi, acquired silver and lead mines, and disposed of a 4 million dollar issue of stock.

Nine years after the Guggenheims started their Mexican smelter, American Smelting and Refining got its charter in New Jersey, and in 1901 was reorganized, with the Guggenheims in control.[9] This corporation, whose interests apparently comprehend the whole range of known minerals and geographic areas, is the foremost American investor in foreign lead. Its principal lead mines and smelters are in Mexico, where it has made extensive additions to its early holdings, but it also has a share in the lead industry of other countries. In 1923 it absorbed the old Compania Metallurgica Mexicana. In 1927 it acquired a 50 per cent, or half million dollar, interest in the lead-zinc producing Buchans mine in Newfoundland. A year later the Srebrenitsa Concession in Yugoslavia, a silver-lead-zinc property once worked

[8] Gattenby Williams, *William Guggenheim* (1934), pp. 61, 69, 70, 79, 87.

[9] The Guggenheims retained their large mining properties (except their smelters) which were operated under the name of Meyer Guggenheim Sons. Meantime, the Guggenheim Explorations Co. (incorporated as a holding company in 1899) continued its acquisition of new properties. (See pp. 585-86 in App. D. below.)

by the Romans was added to its holdings. In 1929 the company turned over its shares in the important Mt. Isa lead mines of Australia to Mining Trust, Ltd., in exchange for a 20 per cent (or 6 million dollar) interest in that corporation.

Ranking second among the American lead producers is the American Metal Co., Ltd.—one of the half dozen large companies dominating world production of the metal. Its lead investments also are principally in Mexico, with some in other countries. Of less importance is the foreign lead produced by a number of American companies in connection with their other foreign mining operations.[10] Anaconda, for example, produces some lead in Poland where its principal product is zinc, and Cerro de Pasco produces lead in Peru as a by-product of copper and silver.

In 1929 the American investment in foreign lead mining and smelting amounted to not less than 45 million dollars, a figure that represents the investment in foreign properties where lead is the product of first or second importance.[11] Of this amount, roughly 25 millions were in Mexico, 5 millions in Europe, 3 millions in Argentina, 3 in Canada and Newfoundland, 3 in Peru, and 6 in Australia.

### NICKEL

The investment in nickel amounts to about 50 million dollars, all of it in Canada and all in one company, International Nickel.[12] American investment in this enter-

[10] Until dissolved in 1932, Ahumada Lead operated mines in Mexico but sent its ores to American Smelting and Refining plants.

[11] An exact pro-rating of the valuation of all foreign mines according to all metals produced would somewhat increase the figure given here for lead.

[12] The 45 per cent American interest in International Nickel has been prorated to nickel and copper on the basis of the relative value of the company's production of these metals in 1929, deductions having been made for properties in the United States and Great Britain.

prise dates back to 1877 when Boston interests incorporated the Orford Nickel and Copper Company, and to 1886 when an Ohio promoter paid $35,000 for 10,000 acres of land that included the site of the famous Frood mine, and organized the Canadian Copper Company. By a merger of these and some smaller companies, the International Nickel Company came into existence in 1902 with authorized capital of 24 million dollars, and a 10 million dollar bonded debt. The company was then clearly American in ownership, management, and financing.

By the participation of British and Canadian capital during the next thirty years, the relative importance of the American share in the company was considerably reduced. Meantime, the Dominion and Ontario governments accomplished a result they had been working toward from the time of the predecessor companies. Under pressure, the company built a large refinery in Canada, and in 1921 dismantled its large refinery at Bayonne, New Jersey. The company was also urged to become Canadian in form, a change that was adopted in 1926 when the company was reorganized. Stockholders were given shares of the International Nickel Company of Canada, Ltd.,[13] a former subsidiary, in exchange for

[13] In 1916 the Canadian government made a special request that the company refine in Canada all nickel needed by the Empire. War-time control of exports and impending competition from the British America Nickel Corporation, Ltd.—a company incorporated in 1913 in Canada, with 14.5 million dollars of its 20 millions of capital stock held by the British government—gave force to this request. After the War, British America Nickel actively competed with International, opening a selling agency in New York and helping to drive prices down to the lows that were reached in 1922. When British America was dissolved in May 1925, its outstanding bonded indebtedness amounted to 24.5 million dollars, and the sale of its assets netted the company 5 millions: a 19 million dollar loss to the bondholders, of which 12 million dollars was borne by Norwegian investors, 3 millions by the British government. The story of British America Nickel is told in the *Mines Handbooks*.

their holdings in the American corporation, and the latter was converted to a wholly owned subsidiary of the Canadian company. In 1934 the distribution of the shares of the latter was as follows: 42.6 per cent were American owned, 33.6 per cent British, and 21.6 per cent Canadian. Its board of directors was made up of 13 Americans, 7 Canadians, and 5 Englishmen and Scotsmen.[14]

### TIN

The United States annually consumes more than 50 per cent of the world's tin output and produces none from either mines or smelters.[15] Efforts have been made to supply the deficiency by investing in foreign tin mines and building American smelters, but with little success. In 1929 only 3 per cent of world mine production of tin, and none of the smelter output, were American controlled—a part interest in a German smelter having been disposed of early in the year. The struggle for a "place" in tin goes back to pre-war days.

In 1903 the International Tin Company at Bayonne, New Jersey, built a tin smelter and undertook to buy ore in the Federated Malay States where 60 per cent of the world's tin ore was then produced. Fearing the effects of this competition on smelters at Singapore, the British imposed a heavy tax on tin ore exports except those sent to smelters within the British Empire. This tax served its purpose until the flow of refined tin imported for American consumption was interrupted by the World War.

[14] Marshall, Southard, and Taylor, *Canadian-American Industry*, pp. 95-101.

[15] In 1928, the record year, American production of tin ore was 42 long tons—about one-fortieth of 1 per cent of the 179,000 long ton world output for the year.

In 1916 American Smelting and Refining began American smelting of tin at Perth Amboy, and two years later the Williams Harvey Corporation, an English firm, cooperated with the National Lead Company in putting a smelter into operation on Long Island. For about eight years imports of tin ore from Bolivia were at a high level, but production costs proved to be almost twice as high as in foreign smelters, and again the industry was abandoned.[16] Strangely enough, the explanation lay in the tax on ores from the British Malays and a similar preferential tax imposed in 1916 on tin ore exported from Nigeria. The Bolivian ores, obtainable in abundance, contain certain impurities that make smelting difficult and costly unless their effect is counteracted by a mixture of tin ores from other sources. The tax, which affected 43 per cent of the world output, cut the American refiners off from all "other ores" except those from the Dutch East Indies.[17]

A movement of American capital into the mining of Bolivian tin got under way during the War and was still in process at the beginning of the depression. W. R. Grace & Co. organized the International Mining Company; a Boston concern acquired the Concordia tin mines. The National Lead Company acquired a 4 per cent interest in Patino Mines and Enterprises, Consolidated, and in 1926 an issue of 4.2 million dollars of Patino stock was taken in the New York market. Ameri-

[16] Benjamin H. Williams, *Economic Foreign Policy of the United States* (1929), pp. 379-80, and Margaret A. Marsh, *The Bankers in Bolivia* (1928), p. 37.

[17] J. W. F. Rowe, *Markets and Men* (1936), p. 157. Since discovery of Bolivia's rich tin ores, production from the Malay States and Nigeria has amounted to about 43 per cent of world output, from Bolivia 25 per cent, from the Dutch East Indies 16.5 per cent, and the rest distributed among a number of countries some of which are members of the British Empire.

can interests early in the depression had an option on the British-owned Berenguela Tin Mines, Ltd.; Easley and Inslee, an American firm, operated the Cia General de Minas en Bolivia. The Guggenheims had an investment of 16 million dollars or more in the Caracoles Tin Company, which in 1929 produced about 8 per cent of Bolivia's output. Some of these enterprises seem to have lapsed into a semi-dormant state before 1929, but others were organizing. The Golden Center Mines, Inc., was acquiring Bolivian tin properties around 1927-30, and its successor, the Mining and Development Corporation, continued to expand those holdings. In the meantime, the Guggenheims, through Pacific Tin, were acquiring some tin properties in the Federated Malay States. In all, American investments in tin in 1929, and also in 1935, may be put at about 35 million dollars: 30 millions or more in Bolivia, little allowance being made for companies not working; and 4 or 5 millions in the British Malays.

## ZINC

The American investment in foreign zinc is divided among a considerable number of companies. Anaconda, by its purchase in 1925 of the Giesche Company's mines and smelters in Poland and Germany probably has a larger investment in zinc than any of the others.[18] The Hudson Bay Mining and Smelting Co., Ltd., with its zinc and copper mines and smelters in Canada, probably ranks second in the list of American companies producing zinc abroad. Other companies in Canada, Mexico, and Peru mine and smelt zinc as an important

[18] An account of Anaconda's purchase of these old zinc mines is told by Alex Skelton in *International Control in the Non-Ferrous Metals* (1937), pp. 707-08.

by-product. In 1929 the aggregate American investment in foreign zinc production amounted to roughly 49 million dollars, distributed about as follows: 21 millions in Poland and Germany; 17 millions in Canada; 5 millions in Mexico, 3 millions in Peru, and 3 in Bolivia.

## IRON AND ITS ALLOY METALS

The world's annual requirements of steel are fifty times as great as of any other metal, and American consumption accounts for almost half of the world total. The greater demand is for low-priced carbon steels—in sheets, bars, wire, rails, and structural shapes—as compared with that for the alloy steels of special qualities and higher price. Domestic resources supply the great bulk of the ores used in the iron and steel industry. Some foreign ores are utilized, however, and some American capital has gone into their production.

Practically all of Cuba's limited reserves of high-grade iron ores passed into American hands with the purchase of the Juragua Iron Co., in 1884, by the Bethlehem and Pennsylvania Steel companies, and of Spanish American Iron Company in 1904 by the Pennsylvania Steel Company. A Mexican iron mine was included in the Guggenheims' list of purchases of 1890. The Dominion Iron and Steel Company, in which American and Canadian capital was associated, paid 1 million dollars in 1899 for an iron mine in Nova Scotia. The president of the company, a Boston capitalist, was already in possession of large coal properties in the Province.[19] The greater number of the foreign investments in iron and in some of the principal ores used in the manufacture of modern steel—vanadium, chromite,

[19] U. S. Dept. of State, *Commercial Relations, 1899*, Vol. I, pp. 359, 361, 368.

tungsten, and manganese—were made later, under the influence of events occurring in the first decade of the twentieth century.

Near the opening of the century, large deposits of low-grade brown iron ores were noted on the northern coast of Cuba, but American iron producers were little interested in the discovery. Five years later, when the United States was producing as much pig iron and more steel than the combined output of Great Britain, France, and Germany, the country was startled to hear of a report by an eminent Swedish geologist, indicating that the current rate of consumption would exhaust America's iron resources by the end of the century.[20] Thereafter, foreign iron deposits, including the brown ores of Cuba, assumed new importance. Some 5 or 6 million dollars were spent by Pennsylvania Steel on purchases and developmental work in Cuba, and when Bethlehem absorbed Pennsylvania in 1916, it became owner of practically all of Cuba's iron ores of all kinds.[21]

In 1913 Bethlehem organized a Chilean subsidiary, capitalized at 4 million dollars.[22] United States Steel paid $300,000 for manganese properties in Brazil, and spent about 3 million dollars on their development, a pre-war investment that proved extraordinarily profit-

[20] The Törnebohm report was published in 1905 and made available in English in the United States in 1906. Edwin C. Eckel, *Iron Ores* (1914), pp. 341-42.

[21] The same, pp. 290-92. Jenks quotes 32 million dollars as the price Bethlehem paid for the Spanish American Iron Company in 1916. Leland H. Jenks, *Our Cuban Colony* (1928), p. 293. Carleton Beals, in *The Crime of Cuba* (1933), p. 402, gives the same figure. The 32 millions plus the assumption of a 17 million dollar bonded debt was the whole price paid for all assets of the Pennsylvania Steel Company, including iron and steel works in the United States as well as the Cuban properties.

[22] The actual investment in Chile by the end of 1914 amounted to three-quarters of a million dollars, and 3 millions by the end of 1919.

able during the War. At the present time a great deal of exploratory work is under way in Brazil concerning which very little information is available.

In 1905 rich deposits of vanadium were found in Peru, taking vanadium out of the precious metals price group; and the following year the Vanadium Company was incorporated to develop these ore resources. Early in 1907 Henry Ford took account of this new discovery, setting a small Ohio steel company to work on large-scale production of chrome-vanadium steel, a job that required the invention of new processes of steel manufactures. The reduction in the weight of his cars gained by this use of alloy steels recommended the adoption of such metals by other automotive companies.[23] Further experimental work produced new alloy steels, and called for additional quantities of the alloy metals. American consumption of vanadium rose from three-eighths of a short ton in 1906 to 500 tons in 1924, and to 900 in 1930.

In 1929 the Vanadium Corporation began mining chromite (chromium ore) in Guatemala, and obtained a 50 per cent interest in the Rhodesian Vanadium Corporation, a producer of chromite and vanadium. A small company was then mining chromite in Brazil; two companies were developing chromite properties in Canada; and other American interests were producing the metal in New Caledonia. At an earlier date the American Manganese Manufacturing Co. acquired Cuban manganese lands, and in 1917 also took over some developed acreage in Costa Rica. By 1922 the company was in receivership; the Freeport Texas Company acquired control of its manganese-bearing lands in Cuba in 1931; and working of Costa Rica manganese seems to have been aban-

[23] Wilhelm, *The Book of Metals*, pp. 109-11.

doned. A small interest in Turkish manganese properties was acquired by American interests in 1929, and a sizeable holding on the Gold Coast was under American control. A molybdenum company was under American control in Canada, and a tungsten mine in Bolivia.

The American investment abroad in iron and its alloy metals amounted to roughly 45 million dollars, in 1929, distributed as follows: Africa 8.5, Bolivia 4, Brazil 5.5, Canada 1.5, Chile 4, Cuba 7.5, Guatemala 1, Mexico 1, New Caledonia 2, Peru 10. By 1935 some chromium concessions and mines in Cuba and in the Philippines had been acquired.

## NON-METALLIC MINERALS

Non-metallic minerals other than oil accounted for an aggregate foreign investment of American capital in 1929 of about 120 million dollars, reduced to about 113 millions in 1935. The greater part of this was in Chilean nitrate: 73 millions in 1929, and 66 millions in 1935. The rest was in coal, asbestos, gypsum, and sulphur, with some minor amounts in phosphate, arsenic, and other minerals.

Until 1924 American investments in Chilean nitrate consisted of the holdings of W. R. Grace & Co. and the du Ponts, acquired around 1909-12. These represented a 2½ to 3 per cent share in the industry and were valued at perhaps as much as 12 million dollars. In 1924 the Guggenheims purchased some nitrate lands, priced at 3.3 million dollars, for which they gave stock in their newly organized Anglo-Chilean Consolidated Nitrate Corp. The following year this new company added the property of the Anglo-Chilean Nitrate and Railway Company, Ltd., to its assets, giving the former British owners mortgage debenture stock in exchange for their

equity. They also began the construction of a tremendous new plant to extract nitrate by a new large-scale Guggenheim process. In November 1925, they sold a 16.5 million dollar bond issue in the United States. Construction costs were greater than anticipated and the Guggenheims themselves advanced loans to Anglo-Chilean amounting to 25.3 million dollars. In the meantime, Anglo-Chilean had obtained control of the Lautaro Nitrate Co., Ltd., an English company—in exchange for services valued at a half million dollars—and in 1929 this English company floated a 32 million dollar bond issue, 28 millions of which were sold in the United States.[24]

It was hoped and expected that the new and expensive nitrate plant would reduce costs and restore Chilean nitrate—at least that produced under Guggenheim control—to something approaching its pre-war advantageous position in world markets. It was recognized, of course, that the absolute monopoly enjoyed before 1901 was gone. A shortage scare in 1898 had set scientists searching for alternative sources of nitrate, a commodity important as an agricultural fertilizer, but far more important in war times as a necessary raw material for explosives. By the time the World War cut Germany off from trade with Chile, that country was equipped to produce some nitrogen compounds from the air and as a by-product of coke, and production was enormously expanded within a year or so. By 1932 there were 83 synthetic nitrate plants in the world, with an annual capacity of 2.2 million tons or a little more than two-thirds the tonnage of Chile's nitrate exports in 1913.

[24] The Anglo-Chilean issue of 1925 was sold to the public at 100 and the Lautaro issue of 1929 at 99.

In addition there was the supply obtained from by-product coke.

Competition was keen, and instead of the expected profits, Anglo-Chilean realized heavy losses. By 1929 the company's balance sheet showed an accumulated deficit of 8.9 million dollars, while the value assigned to the company's capital stock was 1.8 million dollars. Thus the equity of the American owners as shown by the balance sheet was a net deficit of 7.1 million dollars.[25]

A promising development of 1928 and 1929 was the increase shown in exports—the figures for those years being not far below 1913, when exports reached their pre-war peak. With the depression came a sharp drop in the demand for nitrates, however, and the desperate situation in Chile seemed to require strong medicine. Thirty of the 45 firms engaged in nitrate production joined with the government in forming a corporation known as the Compañia de Salitre de Chile (Cosach for short), with a Guggenheim man as president. Additional Guggenheim-process plants were built and additional bonds issued, but the sick industry did not recover under this treatment. Dissatisfaction in Chile was unmistakable, and in 1934 Cosach was liquidated. Its component companies resumed their original identities or formed new companies. Grace & Co. emerged from this unscrambling process holding bonds against the Compañia Salitrera Tarapacá y Antofagasta of 7.5 million dollars and a 10 per cent interest in the company's neg-

[25] In the first paragraph of this section it was stated that 73 million dollars of American capital were in Chilean nitrate in 1929. This figure may be itemized as follows (in millions): Grace & Co. 10; Anglo-Chilean bonds 16.5; Guggenheim advances 25.3; Lautaro bonds 28; equity in Anglo-Chilean, a net deficit of 7.1; total 72.7. The duPonts had liquidated their holdings in 1927 and hence are not included.

ligible profits. Anglo-Chilean reorganized, wrote down its assets, and published a new balance sheet. As of the end of 1935 this indicates an American investment of 26.6 million dollars: debenture bonds 13 millions, capital stock 5.2 millions, and capital surplus 8.4 millions. The balance sheet of the Lautaro Nitrate Company, Ltd., indicates an American investment of 31.8 millions, represented by bonds issued in 1929 and the interest accrued since then.[26]

Of the 47 million dollar investment in other non-metallic minerals, about 23 millions were in coal. Twenty millions were in the Crows Nest Pass and Nova Scotia coal districts of Canada where American capital was already well established in the 1890's. Three millions were in Mexico in American Smelting and Refining mines and coking plants, an investment that also antedates the War by a decade or more. Canadian asbestos and gypsum, together with a small investment in arsenic, account for 17 or 18 million dollars and Cuban, Canadian, and Mexican sulphur for 6.5 millions.

The investment in the "five gray metals" in 1929 amounted to approximately 245 million dollars; in iron and its alloy metals, about 45 million dollars; in Chilean nitrate, about 73 millions; and in the other non-metallic minerals, excluding oil, about 47 millions.[27]

[26] The 1935 Anglo-Chilean balance sheet values the company's 61 per cent equity in Lautaro at five dollars. A comparison of Anglo-Chilean balance sheets before and after the write-down of its assets indicates that 11.3 million dollars of advances due the Guggenheims were probably settled by turning over to the lenders short-term paper held against the Chilean Nitrate and Iodine Sales Corp. If this surmise is correct, and if these have not been liquidated, this item of 11.3 million dollars should be included in the 1935 estimates.

[27] The 1929 total for all mining also includes a 2.6 million dollar investment in Asia—indicated by Department of Commerce figures—which we have not been able to itemize.

In 1929 the aggregate American investment in all foreign mineral production—including the totals given above and also the 555 millions invested in copper, 854 millions in oil production, and 262 millions in precious metals and precious stones—was about 2,081 million dollars. In 1935 the comparable total was roughly 2,091 million dollars.

## CHAPTER XIII

# AGRICULTURAL ENTERPRISES

In agriculture, as in mining, the United States falls somewhat short of complete self-sufficiency. Lying in the temperate zone, the country is largely dependent on outside sources for the products of tropical agriculture. Sugar from Cuba and the Philippines—in addition to that from the island possessions of Porto Rico and Hawaii—supplements domestic production from the cane fields of Louisiana and the beet sugar districts of the north and west. Bananas from Honduras, Jamaica, and other Caribbean countries, supply most of America's needs for this tropical fruit. Coconuts, cacao, chicle, coffee, tea, spices, rubber, sisal, jute, hemp, and other vegetable products are brought in from various sources.

In considerable measure, these imports are the products of American-controlled enterprises operating abroad. Sugar plantations and mills represent the larger part of the American capital invested in such foreign production. The investment of the fruit companies in bananas and other tropical foodstuffs is second in importance. Rubber plantations, together with Mexican and Canadian ranches and farms, account for most of the remainder, although some American capital is employed elsewhere in the production of vegetable fibers, quebracho, and other plantation and forest products.

### SUGAR PLANTATIONS AND MILLS

Foreign trade is often the forerunner of foreign investment. This was true of the American-West Indian sugar trade. E. Atkins & Co., sugar brokers and commission merchants in Cuba and Boston since 1838, fol-

lowed the practice customary in the trade of furnishing Cuban planters with supplies and cooperage materials on credit, as well as making loans on the sugar and molasses they handled. During a period of guerrilla warfare against the Spanish government, 1868-78, some of these short-term debts became long overdue and difficult to liquidate. A mortgage on one of them, finally settled in 1883, brought Atkins & Co. into possession of a 4,500 acre plantation known as Soledad. Ten years later they had enlarged this property to 12,000 acres; nearly 5,000 in cane, with the rest used chiefly as cattle land. This was one of the largest of the early American investments in Cuban sugar, but was not the first nor the only one of its time, for a number of smaller properties were acquired in the same way by other merchants and bankers.[1]

The 1880's and early 1890's were years of change in Cuban sugar. The industry was faced with a new labor problem—resulting from the emancipation of the slaves, 1881-86—and at the same time with keen price competition from European beet sugar and with quality competition from new refinery grades produced for the most part by processes invented by American chemical engineers. In 1890 the McKinley Tariff abolished all duties on foreign-grown raw sugar, while levying on the refined product at the rate of two cents a pound. This forced most Cuban manufacturers of the higher-grade sugars out of business. With the grocery trade no longer wanting the low-grade soft sugars produced on the Island, the American market was narrowed to that offered

[1] Benjamin Allen, *A Story of the Growth of E. Atkins & Co.* (1925), pp. 18-21, 27. Cuban sugar gave early employment to some trained men from the States. It is said that in 1885 there were 200 American engineers and machinists engaged on Cuban sugar estates. Leland H. Jenks, *Our Cuban Colony* (1928), p. 31.

by the refineries—in fact, by the American Sugar Refining Company after its organization in 1890—while prices were no longer fixed in Cuba but in London. Duty-paid raw sugar sold in New York in 1877 at 11 cents, in 1884 at 8.6 cents, and in 1894 at 3.2 cents.

To meet these conditions the more aggressive producers installed up-to-date power mills, importing their machinery from the United States. Such mills represented large capital expenditures, but they were tremendously efficient and greatly reduced the unit costs of production. The poorer and less efficient planters, lacking the funds required for modernizing their antiquated equipment, fell into the habit of selling their cane to some neighboring mill or central instead of grinding it themselves. Light railways were built, tying plantations and mills into large producing units. Long-term contracts were arranged under which the planters agreed to furnish cane from a certain acreage, assuming the responsibilities and risks for its production. The mill owners, on their part, undertook the marketing of the crop and helped finance the planter in and out of season. This system of operation, which still obtains, provides for the equipment needs of the small plantation owners. It also furnishes a solution to the agricultural labor problem of the large estates for, by parceling their lands out to planters on a contract basis, they are able to shift responsibility for the management of their agricultural operations, while assuring the supply of cane required for their centrals.

This reorganization of the industry, and particularly the duty-free clause in the McKinley Tariff, encouraged the investment of American capital in mills and plantations. In the middle nineties an American partnership started the central "Santa Teresa," a 9,000 acre estate

that was valued at about 1.6 million dollars in 1902, and was taken over by the West India Sugar Corporation in 1918. H. O. Havemeyer, president of American Sugar Refining, joined with members of the Atkins family to buy the Trinidad Sugar Company in 1892. A group of merchants, associated with members of the Rionda family, organized the Tuinucu Cane Sugar Company in 1893.[2] The movement came to a pause with the American tariff of 1894 imposing a new tax on raw sugar and raising the rates on refined, and with the outbreak of the Cuban war of independence in 1895.

With the close of the war in 1898, some Americans again turned their attention to Cuban sugar. R. B. Hawley from Texas was one of the first of these. In 1899 he organized the Cuban-American Sugar Co., whose properties included the Mercedita mill and the 7,000 acre Tinguaro estate. Later in the year, on the advice of a young Cuban engineer by the name of Menocal, he bought a 66,000 acre tract, christened Chaparra, where he built and put into operation the largest sugar mill then in Cuba.[3] In 1901 Hawley and his associates enlarged their holdings by the purchase of a plantation and refinery at Cardenas—the only refinery then remaining in Cuba. The Unidad Sugar Company was added to these holdings later, and in 1906 all of them were consolidated under the ownership of the reorganized Cuban-American Sugar Co., a holding corporation with 11.6 million dollars of stock issued and with outstanding bonds of the controlled companies totalling

[2] The same, pp. 31-38.

[3] The *Chronicle*, Apr. 20, 1901, p. 777; *Moody's Manuals*, 1903 and 1909. Menocal was in charge of Hawley's Cuban interests until he became president of Cuba in 1912, when he gave up active management (of the Cuban-American Sugar Company) though he still remained on the board of directors of the company. Jenks, *Our Cuban Colony*, p. 131.

2.7 million dollars. Eight years later the shareholders' equity was valued at almost 19 million dollars. Outstanding bonds, held in London and Amsterdam as well as in the States, amounted to 9.3 millions.

The Cuban-American Rionda family, with their New York and Pennsylvania associates, also began accumulating sugar properties in addition to their Tuinucu estate. In 1899 they incorporated the Francisco Sugar Company with 16,666 acres (increased to 50,000 acres by 1914). In 1910 they formed the Washington Sugar Company, with 76,460 acres of land (later increased to 207,000), and by 1914 the company's railway connections had been built and a new mill put in operation.

The West India Sugar Finance Corporation was organized in Connecticut in 1913. This management and finance company made mortgage and crop loans to sugar companies in the West Indies, and also participated in the organization and development of some sugar properties in Cuba.

In all there were some 29 American-owned mills on the Island by 1905, milling 21 per cent of the crop. By 1914 there had been some increase in the number of mills and a considerable increase in their capacity, as well as in the acreage attached to them.[4]

The World War brought immediate prosperity and eventual disaster to the Cuban sugar industry by encouraging an expansion out of proportion with peacetime requirements. The crop for 1914 amounted to 2.6 million tons, compared with 1 million tons in 1896, and only 284,000 in 1900, when production had been cut by war and drought. Prices for raw sugar in Havana

[4] The figures given above, and in App. D, pp. 591-93, with regard to the holdings of American companies have been compiled from the financial manuals, and from Jenks, *Our Cuban Colony*, pp. 30-38, 130-32.

were extraordinarily low because of competition from expanded production in Europe. But when the War had thrown battle lines around central Europe, where a third of the world's sugar was produced, conditions changed. The allies turned to Cuba as the nearest available source of supply. And in Cuba new acreage was acquired and planted, new mills built, with little regard for costs.

American capital participated in this movement on a large scale. Many companies were formed to buy up existing mills and plantations, expand their capacity and scale of operations, and develop new lands. The Atkins group organized the Punta Alegre Co. in 1916 to take charge of their Trinidad and Florida estates and their recently acquired Punta Alegre, where they were clearing the land, planting cane, and building a mill. In due course they added other properties: Baragua, where they built a mill; Belmonte; Azucarera Canasi, acquired from Cuban interests in exchange for stock; and a 51 per cent interest in the Antilla Co. which they helped organize in 1924 to acquire large tracts of virgin forest and four existing mills. They also participated with other Americans in the acquisition of Ermita in 1923, and acquired a minority interest in Caracas, a Cuban company, and San Augustin, Spanish controlled.

The Rionda Cuban-American group, with J. and W. Seligman as their principal bankers, organized the Cuba Cane Sugar Corp. in 1915 and started operations with 14 mills bought at prices of from 60 to 100 per cent above their pre-war cost of construction, and nine years later incorporated the Cespedes Sugar Co. The West India Sugar Finance Corporation helped finance President Menocal's Palma Soriano, which was organized in 1915, and assisted in the organization of the

Cupey Sugar Company by American capitalists the same year, and of Central Alto Cedro in 1916. Cuban-Dominican, incorporated in 1922 and affiliated with the West India Sugar Finance Company until its dissolution in 1924, was a holding company that took over many of the latter's subsidiaries.

Some American concerns bought up or helped finance sugar properties in order to assure the supply of sugar used in connection with their other activities. For example, the Hershey Chocolate Company bought a number of Cuban mills, plantations, and railways. The Charles E. Hires Co. bought the Cardenas-American Sugar Company in 1920. In the same year the United Drug Company sponsored the organization of the Caribbean Sugar Company, announcing that the new company—whose stock they were offering to their shareholders—was under contract to furnish sugar to United Drug.

By 1919 Cuban production had increased to 3,972,000 long tons, a crop 50 per cent larger than in 1914. Prices were high and still rising. Most of the American sugar companies had earnings sufficient to provide for a considerable capital expansion and enough remaining for very satisfactory dividend payments. A comparison of the accumulated surplus item in the accounts of nine companies for 1914 and 1919, shown below (in millions of dollars), gives some indication of the extent to which the companies were plowing back their earnings.

| | 1914 | 1919 |
|---|---|---|
| Cardenas-American | 0.05 | 0.3 |
| Central Cuba | 0.1 | 1.0 |
| Cuban-American | 3.9 | 22.4 |
| Francisco | 1.1 | 3.9 |
| Guantanamo | 1.6 | 3.6 |

| | 1914 | 1919 |
|---|---|---|
| Manati | 0.2 | 1.5 |
| New Niquero | 0.4 | 2.4 |
| Santa Cecilia | 0.1 | 0.3 |
| Tuinucu | 0.7 | 1.5 |
| Nine companies | 8.2 | 36.9 |

Meantime, three of the companies, Manati, Francisco, and Guantanamo had paid substantial stock dividends to their shareholders; and the aggregate bonded debt of the nine companies had been cut from 14.9 million dollars in 1914 to 6.1 millions in 1919.

The year 1920—in which the post-war depression began—was one of contradictions in Cuban sugar. Starting with a boom, it ended in a crash. According to financial statements of the companies, it was a year of big profits with large additions to surplus. Most of these statements were published in September, however, a few weeks before the crisis developed. Early in the year repeated predictions of a shortage drove prices higher and higher. As compared with 2.11 cents in July 1914, the average for raw sugar, f.o.b. in Cuban ports, reached 19.4 cents on May 19. From this all-time high, a recession set in that gained momentum after the middle of the year. On July 19 the American Sugar Refining Company reported that some wholesalers were repudiating their purchase contracts or asking for cancellation privileges. By the middle of December the price of raw sugar in Cuba had touched a low of 3.4 cents a pound, and "the bottom was out of the market."

The decline in sugar prices continued throughout 1921, resulting in operating losses for plantations and mills. For the nine companies listed above, the aggregate net loss charged against surplus in 1921 amounted to 20 million dollars, wiping out in one year

most of the profits re-invested since 1914. To tide over this situation, the companies—American, Cuban, and Spanish—borrowed heavily from American banks, sugar brokers, and commission merchants.[5] Some of the larger producers sold their bonds to American investors and thus were able to continue operations. The greater number of the companies, however, unable to fund their obligations, were taken over by the lenders. In this way many properties formerly under Cuban or Spanish control were acquired and consolidated with other American holdings.

Securities of companies formed by these consolidations and reorganizations were offered in the American market and readily absorbed at good prices. With the proceeds of such issues, the managing banks paid off some of the loans due them from the sugar companies, thus shifting on to the American investor a portion of the eventual losses that would otherwise have fallen on the banks themselves. In 1921 and 1922 some 3.5 million dollars in preferred stock and 72 millions in sugar company bonds at par or only slightly below, were taken in the United States.[6]

Lowry & Co. (successor to E. Atkins & Co.), the National City Bank, the Chase National Bank, the Cuba Trading Company, and the Bank of Montreal had most at stake, but other banks and sugar brokers were also involved. It was reported that the loans of one bank, the National City, amounted to 100 million dollars, but this was denied by the bank's officials. What the amount

[5] Cuba Cane—a company organized in 1915 and therefore not included in the comparison above—suffered a net loss of almost 21 millions; and by the end of the year had incurred a bank debt aggregating almost 29 millions.

[6] Smaller amounts were taken thereafter until in the three years 1928-30 none at all was issued, and in 1931 only a small amount.

actually was is not shown in the published records, but it must have been large. At least four companies were taken over by this bank early in 1922, and two others later; including Camaguey, Vertientes, San Cristobal, the Oriente group, and the Santa Clara group of companies. Three of these floated loans in 1922—Camaguey 6 million dollars, Oriente 6 millions, and Vertientes 10 millions—providing funds that in large part were used to liquidate a portion of their debts to the bank. The loans of certain other companies were recognized as uncollectable and were writen off by the bank as bad debts. With some 30 to 35 millions remaining in its portfolio,[7] the bank organized a subsidiary, the General Sugar Company, to manage the properties underlying its loans.

The year 1923 was one of consolidation and reorganization. To meet their large overhead charges the mills were putting in more efficient machinery and expanding output—thereby lowering unit costs. In this, the companies controlled by American capital had an advantage, because they alone were able to obtain funds from the United States.[8] By 1925 output was at the highest figure yet recorded for Cuba—twice that for 1914—and prices continued to fall.

Crop restriction seemed the only way out for the industry, and this policy was imposed by government decree during the next three years. Recovery could not be bought at this price, however, for the reduction in Cuba was offset by an increased supply from other sources, including the area within the American tariff boundaries. With 1929 the restrictions were removed, production

[7] Certain loans on warehouse sugar and certain unsecured loans were held in addition to those included above. See also pp. 274-75.

[8] These efforts at lowering costs were in part offset by increases in the American tariff on sugar in 1921, 1922, and 1930.

shot up, prices continued to fall, and the gross earnings of American companies in Cuba were pared down considerably. By an international agreement, usually referred to as the Chadbourne Scheme, the principal exporting countries limited their exports during the five years 1931-35. Again the effects of crop restrictions were neutralized by the increased production of other countries, mainly by the customers of the Chadbourne Scheme group; and this plan was abandoned. Meantime legislation enacted in the United States fixed production or import quotas for various producing areas and reduced the duty on Cuban sugar.[9] With recovery under way in the United States, the value of sugar imports from Cuba increased from 39.7 million dollars in 1933 to 55.2 millions in 1934, and to 80.4 millions in 1935.

To illustrate the effects of the Cuban sugar situation on American investors, the case of the General Sugar Company may be cited. This company was organized in 1922 to manage sugar properties in which the National City Bank was interested. Five years later it was reorganized as the General Sugar Corporation,[10] and was provided with 25 million dollars of new capital through the sale of all its stock to the National City Company—another subsidiary of the bank, that in turn had been provided with funds through an issue of National City Bank stock.[11] Of this new capital General Sugar then

[9] The Jones-Costigan Sugar Act, approved May 9, 1934 provided for the quota system. The duty reduction was effected by the Trade Agreement with Cuba, which went into operation Sept. 3, 1934.

[10] At this time a valuation of 35 million dollars was placed on General Sugar's ownership in sugar properties and plants; and the working assets of the company were put at 5 million dollars. At the same time properties and plants held under Lowry & Co. management were valued at 28.2 millions; Cuba Trading, 40 millions; and the National Park Bank at 8 millions. Jenks, *Our Cuban Colony*, pp. 285-86.

[11] Half of the proceeds from 250,000 shares of National City Bank stock sold to National City shareholders at $200 a share.

used 20 million dollars for the purchase of 32 million dollars of short-term sugar paper held by the bank, giving its five-year notes for the balance.

The net result was that the bank obtained new funds from its shareholders and changed the form of certain doubtful assets. Eventually, most of this short-term paper proved to be worthless. By 1933 General Sugar had paid only 2 millions of its notes, about 8 millions had been written off as bad debts by the bank, and 2 millions were still held. The National City Company, in the meantime, had written off its entire "investment" in General Sugar stock.[12] By 1936, reorganization of two of General Sugar's subsidiaries—Vertientes and Camaguey—was under consideration in the bankruptcy courts. The plan submitted provided for the elimination of existing stockholders and for the conversion of outstanding bonds into stock of the new company, the whole operation representing a write-down of about 90 per cent as compared with 1929 values.

Reduced to value terms, the history of American investments in Cuban sugar runs somewhat as follows: rising from a few million dollars in the early eighties to perhaps 20 millions in the middle nineties,[13] and to 95 millions in 1914, the curve reached a peak around 1923 or 1924 at about 575 million dollars—excluding loans and notes payable to American banks that at a minimum may be put at more than 100 million dollars—and there-

[12] From testimony of National City Bank officials, the *Chronicle*, Nov. 23, 1929, p. 3257; 72 Cong. 2 sess., *Stock Exchange Practices*, Hearings on S. res. 84 and 239 before a Subcommittee of the Senate Committee on Banking and Currency, pp. 1789-1809. See also p. 273.

[13] It was estimated in 1889 that about 25 million dollars had been invested in various Cuban enterprises. In 1896 American short-term money in Cuba was put at 10 to 15 million dollars (*The Annals*, May 1896, p. 80). Bacon's estimate for 1899 for all American capital in Cuba was 50 millions.

after declined slowly until with the losses accruing during the depression years it dropped precipitately, amounting in 1935 to a little more than half what it had been eleven years earlier.[14]

In other West Indian islands and in the Philippines, the American investment in sugar is smaller and of later growth than in Cuba. As late as 1920 it was said of Santo Domingo that the richest portion of the country had not been touched, and lay ready and willing for the hand of the farmer or the dollar of the capitalist to make it produce, while at the same time it was difficult to find lands in Cuba at any price.[15] In fact, there was a revision of the Dominican land laws in 1911 intended as an invitation to foreign sugar interests to enter the island, build mills, and help establish sugar production. In the middle nineties, when Cuban production was measured in millions of tons, that of Santo Domingo was reported in millions of pounds. Cuban capital built the first big Dominican central in 1874, while the first important American holding was acquired some fifteen or more years later.[16]

A few American companies with plantations and mills in Cuba have also included the Dominican Republic in

[14] Data showing the changes from 1914 through 1935, by five-year periods, and by individual companies, are presented in App. D, pp. 592-93. In the 1914 figure given above allowance is made for the fact that a majority of the bonds sold by American sugar companies in Cuba before the World War were usually taken in Europe, while there was also Cuban participation in the ownership of these companies. During the World War practically all of the bonds formerly held abroad were refunded in the United States. Many were bought up by Americans prior to such refunding operations; for example, when the Cuban-American Sugar Company called all of its outstanding bonds in 1918, it was found that Americans held 5.3 millions of the 8.2 million total.

[15] Quoted by Melvin M. Knight, *The Americans in Santo Domingo* (1928), p. 129, from *Libro Azul (Bluebook)* of 1920.

[16] The same, pp. 23-24, 47.

their operations. The West India Sugar Finance Corporation was one of these, and the Cuban Dominican Sugar Company, affiliated with the West India Company for a time and successor to much of its business, acquired Dominican assets valued at 30 million dollars soon after its organization in 1922. American capital coming via Porto Rico through the South Porto Rico Sugar Company amounted to about 5 million dollars in 1914 and three times that amount ten years later. In 1928 the Cuban-American Ros family (of New York) owned the Santa Fe; and Hugh Kelly & Company of New York, a West Indies trading firm, owned two estates, Porvenir and Ansonia. Another, Boca Chica, was owned by the Spanish Dominican Parra Alba and his associates, but managed by a Porto Rican-American group of bondholders and sugar men. The assessed value of these properties in 1925 aggregated 7.5 million dollars and the American investment represented was perhaps 18 to 20 millions. The National City and Chase National Banks also had some small sugar properties acquired through mortgage foreclosures.[17]

As in Cuba, the curve representing American investment in Dominican sugar dropped sharply during the depression, falling from about 60 million dollars in 1929 to 37 millions in 1935.[18] In the other end of the Island, where small land holdings are the rule, American capital invested by some seven or eight sugar companies amounted in 1929 to about 8.7 million dollars,

[17] The same, pp. 136-39.

[18] The 60 million figure for 1929 is indicated by the U. S. Dept. of Commerce, *Trade Information Bulletin No. 731*, p. 18, while that for 1935 is estimated from data for the two principal American companies in the Dominican Republic—the Cuban Dominican Sugar and the South Porto Rico Sugar Company, whose Dominican investments were reduced from about 47 million dollars in 1929 to 30 millions in 1935.

reduced by 1935 to perhaps 6.5 or 7.0 millions.[19]

In the Philippines foreign capital has never been welcomed with enthusiasm, and the Philippine land laws have been framed to insure the complete absence of large absentee landowners. The development of large sugar estates such as those in Cuba is *legally* impossible. Under the Philippine system, the growing of the crop is in the hands of thousands of small landowners who furnish their cane to the centrals under contracts that usually run for thirty-year periods. There is some American capital invested in plantations, and 12 of the 45 centrals in the Islands are American owned. In current discussions, however, American ownership includes the investment of all Americans, those resident in the Islands as well as those in the United States. The amount that can be classed as the "direct investment" of Americans in Philippine sugar appears to be not more than half the figure usually quoted. In 1929 it amounted to about 15.5 million dollars; and in 1935 to about 16.5 millions, for the Philippine sugar industry is one that seems to have weathered the depression remarkably well.[20]

In Mexico and in Central and South America the investment in sugar amounted to about 31 million dollars in 1929, of which 12.8 millions were invested in Mexico by a number of companies, about 5 or 6 millions in Peru, about 10 millions in Colombia, and the rest in Guatemala, Honduras,[21] and Venezuela. By 1935 losses

[19] The principal American sugar company in Haiti is the Haytian American Sugar, subsidiary of the Haytian Corporation of America.

[20] Based on *Trade Information Bulletin No. 731*, pp. 26-28; U. S. Tariff Commission, *United States-Philippine Trade* (1937), pp. 51, 190-92; Grayson L. Kirk, *Philippine Independence* (1936), pp. 65-66.

[21] Data on Mexican companies were compiled from the financial manuals. *Fortune*, December 1935, p. 157 gives the following information concerning Grace & Co. in Peru: starting in the sugar business in

and write-downs had reduced the total to around 24 millions.

### TROPICAL FRUIT

To the American fruit companies operating abroad, tropical foods and bananas are practically identical terms. These companies grow some coconuts and spices, and some cacao, particularly on worn-out banana lands, but their big investment and big profits are in the banana trade.[22] During four pre-war decades this trade was in the hands of a single firm—United Fruit and its predecessor companies. An American competitor, the Cuyamel Fruit Company, was organized in 1911 and for two decades furnished some competition, until early in 1930 it was absorbed by the former master of the Caribbean. A second competing group was organized in 1911, with British interests well represented, and in 1912 was incorporated in Delaware as the Atlantic Fruit Company. On this company's dissolution in 1931, some of its assets were acquired by the Standard Fruit and Steamship Corporation, a company that had been accumulating fruit properties in the Caribbean since 1923. The bulk of the investment and all of the trade in fruit has been in the hands of these companies, but some American production has been accounted for by a few independent growers.

When the Boston Fruit Company, the predecessor of United Fruit, was incorporated in 1890, its banana trade was already some twenty years old, and its principal

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1890, the company increased its investment until in 1935 it held two large plantations, with 15,000 acres of lands, mills, irrigation systems, and barracks for 5,000 laborers, production amounting to 90,000 tons a year. Additional information concerning the Colombian investment is given by J. Fred Rippy, *The Capitalists and Colombia* (1930), p. 173.

[22] American investment in pineapples and citrus fruits is confined almost entirely to the states and island possessions of the United States.

activities were concerned with buying, selling, and shipping the fruit. Jamaica first provided America with this tropical luxury. Then cheap lands were bought in Cuba and Santo Domingo and production was begun on a plantation basis; but the Dominican venture turned out badly, and the Cuban lands proved better for sugar than for bananas. Meanwhile in Costa Rica, Minor C. Keith had built a railway, and when he had completed it in 1890, heavily loaded with debts to London bondholders and with no traffic to cover costs, he turned to bananas as a way of making the road pay. By 1893 he had three companies shipping the fruit up to the States.

It was the Boston Fruit Company's ships and incidental plantations and Keith's Costa Rica railway and lands that were combined to form the properties of the United Fruit Company, in 1899. The company's authorized capitalization was 20 million dollars, but in February 1900 only 2.7 millions had been subscribed. That year the company shipped 15 million stems of bananas, compared with 65 millions in the record year 1930. Thus freed of his responsibilities in Costa Rica, Keith began railway building in Guatemala and United Fruit followed to acquire new banana plantations. In 1910 they bought Elders & Fyffes, Ltd., and its ships, to carry their fruit to Europe.

Dividends were paid from the beginning: $2.50 on their $100 shares in 1899, and $10 the next year; a 100 per cent stock dividend in 1920. But though 179 million dollars in cash had been paid by 1931 on 64 million dollars par value of stock, the undistributed earnings plowed back into the business were large, for the company generally paid out not more than half of its net earnings in dividends. Since a similar policy was followed by Cuyamel, something like 100 million dollars

of their 145 million joint investment in tropical lands (including sugar) must have represented re-invested profits at the time the two companies were merged in 1930.[23]

At the outbreak of the World War the foreign holdings of the large fruit companies amounted to about 62 million dollars, increased to roughly 73 millions by 1919. During the post-war years, while the banana was gaining a favored place in the food budget of the average American, the capital invested in tropical fruits increased to 94 millions in 1924, and to about 161 millions in 1929, with almost half of it placed in Honduras. A sharp write-down by the companies during the depression lowered the figure to about 63 millions for the year 1935.[24]

### RUBBER[25]

When the white man explored equatorial America he found the natives making various articles from the hardened juice of certain trees: bouncing balls, shoes, bottles, jars, and breastplates or shields. Produced only in territories under the domination of Spain and Portugal, this substance was slow in entering world commerce. It was 1820 before the United States imported its first rubber, a pair of rubber shoes from Brazil, but thereafter the trade mounted rapidly, accompanied by steadily expanding shipments of crude.

[23] These investment figures exclude the ships owned by the several companies. In 1901 the company's investment in tropical lands was put at 14.5 million dollars, and in 1908 at 22.4 millions. The *Chronicle*, Nov. 28, 1903, p. 2098; Nov. 20, 1909, p. 1342. The story of United Fruit is told at length in *Fortune*, March 1933, pp. 24-39, 116-27.

[24] The distribution of these figures by countries is given in App. D, p. 590.

[25] This section is based on Howard and Ralph Wolf, *Rubber* (1936); *Trade Information Bulletin No. 731; Fortune*, November 1931, pp. 91-98, February 1934, pp. 56-60; and J. W. F. Rowe, *Markets and Men* (1936), pp. 122-51.

The practical utility of rubber was greatly increased by Goodyear's invention, in 1839, of vulcanization, a process which makes the substance tough and non-adhesive and prevents it from becoming hard and brittle in cold weather or soft and sticky in warm. This invention transferred the manufacture of rubber shoes from the native huts of Brazil to the factories of the industrial nations. More important, it provided a new material for vehicle tires and brought the world a step nearer the automotive age. Consumption of crude rubber grew from about 388 tons in 1840 to 1,467 in 1850, to 2,670 in 1860, and to 29,000 in 1890; while the New York price rose from the low of 5 cents a pound established during 1840 to an average of 62 cents in 1860, 84 cents in 1890, and $2.07 in 1910.[26]

Such an expansion in demand encouraged a search for sources of supply other than the Amazon Basin, where, until 1860, a virtual monopoly was maintained. Wild rubber was found in Madagascar, on the African continent, and in the East Indies and other parts of the Middle East. At the same time attempts were made to establish production on a plantation basis: in Cuba as early as 1830; in Java and Mexico some thirty to forty years later; and most successfully, by the British, in India and Ceylon in the seventies and eighties. In 1890, however, two-thirds of the world's supply still came from Brazil; only one-half of 1 per cent was furnished by Africa; and no plantation rubber had yet been exported from the Middle East.

Ranking first among the consumers of rubber, the United States took 50 per cent or more of world production from the early 1850's to the World War, in-

[26] Price data are from P. W. Barker, *Rubber* (U. S. Dept. of Commerce mimeographed report, January 1936), p. 26.

creased to 70 per cent during the twelve years 1915-26. The country was vitally interested, therefore, when in 1890 reports were circulated that the reckless destruction of wild trees in "Amazonia" forecast an early rubber famine; and again in 1922 when the supply appeared to be threatened by the inauguration of the Stevenson Plan.[27] In his message to Congress in 1899, President McKinley advised American participation in plantation rubber production. A quarter of a century later, following Britain's restriction of output, Congress (in 1923) appropriated $500,000 to be used by the departments of Commerce and Agriculture for investigating possible sources of supply of rubber and certain other foreign-controlled raw materials.

Encouraged by McKinley's advice, the country launched upon a plantation speculation spree. Hundreds of companies were formed—145 of the earlier ones having an aggregate (authorized) capitalization of 74.5 million dollars, 1.7 million acres of land purchased or under option in Mexico and Central America, and more than 32 million trees actually planted. In a single department in the state of Chiapas, Mexico, some 9 to 10 million trees were set out before 1910, mostly by American companies. By 1910, however, American investments in Mexican rubber stood at only 15 million dollars,[28] and by 1920 most of the rubber land had been turned to fruit production or had reverted to its original wild state. Probably the sole survivor in 1929 was the Intercontinental Rubber Company—with Mexican subsidiaries devoted to the production of rubber from the native guayule shrub. After years of experimental work

[27] By which restrictions were placed on exports of crude from British possessions in the Middle East, in an attempt to restore prices to a profitable level.

[28] *66* Cong. 2 sess., S. rep. 645, p. 16.

the company has established the culture of this shrub in California on a plantation basis, with extraction of the rubber latex reduced to a machine process as compared with the coolie labor methods employed in the Middle East.[29]

Preceding the Mexican boom came the organization of the United States Rubber Company, in 1892, with control of its raw materials an announced aim. By 1903 the company had been in and out of a Brazilian concession. In 1910 it was making its initial investment in Sumatra, Dutch East Indies, with an expenditure of $700,000 for a 52-year lease on some 83,000 acres of land. This included a large acreage already cleared of jungle and planted in tobacco, from which the company is reported to have realized a return of $300,000 the first year. By 1922 the Sumatran holdings had increased to 88,659 acres of which 48,917 were planted and 43,600 already producing. Additional holdings of 22,226 acres had been acquired on the Malay Peninsula, with 20,311 planted, 1,500 producing. Five years later the Sumatran acreage had increased to 104,232 and the Malayan to 29,932, or a total of 134,164 acres; raised to 135,160 by the end of 1934 when the company produced only a little more than 2 per cent of the output of the Middle East.[30]

On the company's published balance sheets for 1934

[29] The company was organized in 1906 as the Continental Rubber Company, capitalized at 30 million dollars, with T. F. Ryan, Senator Nelson W. Aldrich, Bernard M. Baruch, Meyer Guggenheim, and John D. Rockefeller, Jr., its principal shareholders. Among its properties is a guayule plantation in Mexico that was held by the Madero family until bought by the company in 1911. The Mexican Crude Rubber Company, incorporated in 1906, sold its plantations in the Federated Malay States in 1920, and in 1924 disposed of all its properties to the Continental Mexican Rubber Company of New York, a subsidiary of Intercontinental.

[30] World production reached its all-time high in 1934 with 1,019,000 long tons, of which all but 14,400 were produced in the Middle East.

the investment stands for that year at roughly 28 million dollars, new purchases being entirely offset by depreciation charges. Of this total, 18 millions represent the parent company's original outlay of funds; 10 millions the re-investment of the plantation company's earnings. In 1926 the parent company received an initial dividend from its properties of 6 million dollars, followed by 10 millions in 1927, 1 million in 1928, and nothing during the depression years that followed.[31]

The Goodyear Tire and Rubber Co. began investing in Sumatra in 1914, starting with a 17,000 acre tract that by 1920 was valued at 5.5 million dollars. Almost 29,000 acres were added in 1927, and about 36,000 more in 1928. By the end of 1935 the company held 91,300 acres, of which 18,000 were bearing, the total investment in the Middle East amounting to roughly 8 million dollars. Intercontinental in 1917 acquired 22,295 acres in Sumatra from the Dutch government. By 1922 expenditures for development had amounted to over 1.5 million dollars, and some 4,000 acres were planted. Ten years later the company turned back 10,320 acres of unimproved land to the Dutch government and had 5,000 acres bearing, representing an investment of about 2 million dollars. Firestone established a rubber forwarding agency, mills, warehouse, and plant in Singapore in 1923.

Following closely on the adoption of the Stevenson Plan, Firestone turned to the Philippines as a possible plantation location. The land laws of the Islands, which their legislature refused to change, limited the holdings of any one individual or corporation to a maximum of 2,500 acres—no more than enough to provide a factory

[31] *Fortune*, February 1934, states that the plantations of the Middle East have paid the parent company 37 millions in profits.

with a day's supply of rubber, and not enough for Firestone. Some of the old plantations in Chiapas, Mexico, were bargained for, but were abandoned because of revolution. Panama was explored with no better results.

In 1924 Firestone turned to Liberia, getting a 99-year lease (at an annual rental of $6,000) on a 1,400 to 2,000 acre plantation developed by the British before the War but later allowed to revert to the government of the negro republic. The following year the company obtained a 99-year lease on another concession, this time on a million acres to be selected by them at will, except for the reservation of certain tribal lands. The contract provided for payment of an annual rental of 6 cents an acre for lands actually under development.[32] By the terms of this concession all plantations, products, machinery, and supplies are exempt from internal taxes and from customs duties except a 1 per cent tax on rubber exports. To the latter part of 1935 some 110,000 acres of the possible million acres had been selected, and 55,000 to 60,000 planted. With recovery in the automotive industries definitely established in 1936, the company began erection of a million dollar rubber factory in Liberia, indicating a greater activity in prospect.

Henry Ford, in 1926, turned to Brazil as the place to grow his own rubber, and by 1927 had completed a deal for a 3 million acre concession in the Amazon Basin at an original price of a half million dollars, according to reports. Under the concession terms the company is required to plant a thousand acres a year, and after twelve years of operation must annually pay 7 per cent of its profits to the state and 2 per cent to each of the

[32] In connection with this concession, a 5 million dollar loan to Liberia was arranged, of which only 2.5 millions have been issued.

two municipalities in which the property is located. It receives unlimited permission to engage in commerce, industry, banking, and navigation, all of these activities being free of government inspection and free of all municipal or provincial taxes.

Into this domain in July 1928 Ford sent a shipload of saw mills, structural steel, cement mixers, machinery, boilers, and other American manufactures; began building a model town, and miles of roads and railroads. The work of clearing and planting the jungle began, but was delayed by labor troubles and public hostility to the concession. By the end of 1935 only 12,200 acres had been cleared. Most of the 10,450 acres planted were of tappable age but had not yet been tapped. Since then, however, shipments from this concession have begun to come into the United States.

Goodyear in 1928 bought up the maximum 2,500 acres in the Philippines that Firestone had spurned; in 1935 acquired a 2,500 acre experimental tract in Panama and in 1936 an experimental 1,000 acres in Costa Rica, with other acreage available in the Central American states if the experiment proves successful.

Altogether the American investment by 1929 amounted to almost 58 million dollars: 12.5 millions in the British Malays, mostly in the United States Rubber plantations but with smaller amounts in the warehouses, mills, and loading stations of a number of other companies; 30 millions in Sumatra, practically all of which was in the plantations belonging to United States Rubber, Goodyear, and Intercontinental; 8 million in Firestone's Liberian venture; 5 millions in Ford's Brazilian concession; 1.5 millions in Intercontinental Mexican plantations and mills; and perhaps a half million in

Goodyear's small acreage in the Philippines. By the close of 1935 the total may have been slightly reduced—to roughly 53 millions or more.[33]

### OTHER AGRICULTURE

A miscellaneous lot of other rural lands and enterprises complete the list of American agricultural investments abroad. In Canada there are farms, and timber lands in addition to those held by the pulp and paper companies. In the pre-war period there were also large speculative holdings of land in British Columbia and in the prairie provinces. In Mexico there are sisal, coffee, tabasco, tobacco, and chicle plantations, cotton gins, timber lands, farms, ranches, and cattle. In Cuba there are tobacco and sisal plantations and other rural lands not in sugar or fruit, and there are also some such holdings in the Philippines. In South America there are American-owned lands producing quebracho, cattle, and coffee.

The investment in Mexican rural lands has been gradually whittled down in recent years. Since 1917 the Mexican government has followed a policy of acquiring large tracts of foreign-owned lands for the benefit of the landless agricultural population of the country.[34] At the

[33] Ford's investment is estimated at 5 million dollars in *Fortune*, November 1931, p. 92, and at 8 million dollars by Wolf, *Rubber*, p. 264. The estimate for Firestone is from Wolf, *Rubber*, p. 264. In 1935 Firestone reported that 8 million dollars had then been spent by the company in developing the Liberian plantation, stating that this had been charged to "expenses," but that future development expenses would be capitalized. (The *Chronicle*, Dec. 7, 1935, p. 3690.) These estimates may be compared with development costs for plantations in the Middle East. For example, Intercontinental reported in 1922 that it had spent 1.5 million dollars on the 4,000 acres then planted, and a similar rate of expenditure is indicated by U. S. Rubber reports quoted at various times in the *Chronicle*.

[34] Frank Tannenbaum, *The Mexican Agrarian Revolution* (1930), particularly Chap. XVI.

present time, however, these holdings are still of considerable importance. The Hearst estate alone was reported (in 1935) to have about 1.6 million acres of Mexican land valued at 12 million dollars, a large part of it in timber and other rural property. The American Chicle Company was in possession of 5 million acres of chicle-producing land, part of which was in Mexico and the rest in Guatemala and Honduras. Other American groups held additional millions of acres in Mexico.

The investment in the Cuban tobacco growing and manufacturing industry practically began in 1899, when the Havana Commercial Co. was organized, with a capitalization of 20 million dollars. As shown by a balance sheet published soon after the company began operations, its principal investments were manufacturing in character rather than agricultural. Factories, warehouses, urban real estate, and machinery accounted for an investment of 17.9 million dollars, as compared with 1.1 millions in plantations, livestock, and advances on crops.[35] Within a year the agricultural investment of the company amounted to about 2 million dollars, and in 1901 another plantation was added to its holdings. However, manufacturing properties still represented by far the greater part of its Cuban investment. The Havana American Company, also incorporated in 1899, was a manufacturing enterprise with little ventured in the agricultural end of the industry.

In 1902 the American Tobacco Company went into Cuba, buying up earlier American, British, and Cuban companies. Like its predecessor companies, American Tobacco was largely interested in the manufacture and export of cigars and cigarettes, but also acquired some

[35] The *Chronicle*, Apr. 28, 1900, p. 840.

tobacco plantations.[36] The Cuban subsidiary of the company, which controlled nearly half the manufacture of cigars and cigarettes in Cuba, was unable to pay its way, however. To pay interest to minority bondholders, it borrowed from the parent company, and finally defaulted on the bonds when due in 1921. Three years later it was reorganized, still under control of the American Tobacco Company. Other interests have some capital in the production of the Cuban tobacco crop. These investments are not large, however, and have not been encouraged by the tariff policy of the United States, nor by the history of the industry.

In 1929 the American investment in this miscellaneous group of agricultural properties in Mexico amounted to about 40 million dollars; in Canada, about 30 millions; in Cuba, about 22 millions; in the coffee and cattle of Colombia, quebracho and cattle of Paraguay, and coffee of Venezuela, about 12 million dollars; and in Philippine plantations, not less than 4.5 millions. In all, these properties accounted for an investment of about 108 million dollars in 1929—decreased by the losses in Mexico and some write-downs elsewhere to about 87 millions in 1935.

From small beginnings in the 1880's, American investment in foreign agricultural land and enterprises had increased to about 77 million dollars in 1897. Thereafter, it increased rapidly. The large investment in Cuban sugar reached its peak in 1924 or thereabouts. The hold-

[36] A nominal value of 41.9 million dollars was placed on the Cuban investment as a whole, but Jenks indicates that this was a "highly watered" valuation. The Commissioner of Corporations reported in 1909 that the actual amount of the investment was unknown. Jenks, *Our Cuban Colony*, p. 158. See also Carleton Beals, *The Crime of Cuba* (1933), pp. 401-02.

ings of the fruit companies in Central America and the West Indies were given their maximum valuation in the balance sheets for 1929. With the depression, the sugar and fruit investments were written down sharply, as were also some of the miscellaneous agricultural investments in various countries. Balance sheets for the rubber companies, on the other hand, show the 1935 investment in foreign plantations only slightly below that for 1929.

In the aggregate the agricultural investment in 1929 amounted to about 985 million dollars, reduced to 587 millions in 1935. In 1929 sugar accounted for 659 million dollars, fruit for 161 millions, rubber for 58 millions, and all others for 108 millions. In 1935 the comparable figures were: sugar 384 millions, fruit 63 millions, rubber 53 millions, and all others 87 millions. Inclusion of short-term loans would add probably 100 million dollars to the figure for sugar, and smaller amounts to the estimates given here for other agricultural investments.

# CHAPTER XIV

## AMERICAN FACTORIES ABROAD

The factory system was well established in the United States in the decade of the forties, a period during which a number of important present-day manufacturing concerns were organized.[1] A half century later the country had outstripped all rivals in the value of manufactured goods produced, and was shipping these products to other countries in such quantities that European competitors began to protest against "the American invasion."

Branch factories abroad supplemented this commercial penetration of foreign markets. Writing in 1902, an English observer reported that "in all capitals and great cities from the Straits of Gibralter to Archangel, American firms are establishing branches. . . ."[2] Even more firms were crossing the Canadian border than the Atlantic, and some were going into Latin America and the Orient. By 1914 various motives had impelled most of the country's outstanding manufacturing concerns to begin foreign production.

Events connected with the World War destroyed some of these investments. In the post-war period, however, a great many more have been acquired—the aggregate investment in factories, mills, and assembling plants abroad at the present time being almost four times what it was on the eve of the War.

[1] The business of the Yale & Towne Manufacturing Co. was established in 1840, of J. I. Case Threshing Machine Co. in 1842, of Brunswick-Balke-Collender and of Worthington Steam Pump in 1845, while the Baldwin Locomotive Works made its first export sale in 1836. From the financial manuals, and *Fortune*, July 1930, p. 60.

[2] W. T. Stead, *The Americanization of the World* (1902), p. 180.

## GROWTH OF THE BRANCH FACTORY INVESTMENT

The American factory was scarcely established at home before it appeared in foreign countries. As early as 1804 two Americans, Wall and Jackson, built a paper mill in Quebec. In 1835 a citizen of Pennsylvania set up a tannery in London, Ontario, and later branched out into the manufacturing of shoes on a large scale. The Gurney brothers and their father from New York started a foundry in Hamilton, Ontario, in 1842; and in 1845 a citizen of New Jersey opened a carriage factory in London, Ontario.[3] Early in 1857 a Baltimorean recently returned from Russia reported that he had visited the machine shops of fellow townsmen, Messrs. Winans, Harrison & Winans, located not far from St. Petersburg, where they were "extensively engaged in building locomotives, cars, casting of cannon, and making a variety of machinery for the government."[4] In general, however, these were independent establishments organized and operated by Americans.

The records show a beginning of the branch factory movement at least as early as the 1860's. An English branch was established by the Pullman Company in the late fifties or early sixties and one by R. Hoe & Co., manufacturers of newspaper printing presses, in 1867. An American drug company established a branch factory in Canada in 1860; and a file manufacturer, in 1870.[5]

[3] Other early ventures are cited by Herbert Marshall, Frank A. Southard, Jr., and Kenneth W. Taylor, *Canadian-American Industry* (1936), p. 11.

[4] *American Railroad Journal*, 1857, p. 85. Whether this was an independent enterprise or a branch of a Baltimore house is not clear from the context.

[5] Frank A. Southard, Jr., *American Industry in Europe* (1932), p. xiii. 71 Cong. 3 sess., S. doc 258 (1931), *American Branch Factories Abroad*, p. 38. 73 Cong. 2 sess., S. doc. 120 (1934), p. 7 shows two American branch factories operating in the British Isles in 1932 that had been established in 1860 and 1862.

The movement became more important in the seventies and later decades.

Notes taken from the *Monetary Times*[6] show 23 American firms locating branch factories or plants in Canada in the five years 1875-79, four new Canadian companies having one or more American directors, and nine companies whose plans for Canadian manufacturing had been announced though later information regarding them was not obtained. Of these 36 companies, 16 were in the metal working industry, 5 were textile manufacturers, 6 were manufacturers of wood products, and 9 represented a miscellaneous group of industries. For the first five years of the eighties the list includes 32 establishments, classified by industries as follows: metals 18, textiles 5, miscellaneous 9.

No similar record is available for other parts of the world, but such a list would probably include a considerable number of companies. Of American manufacturing investments still in Europe in 1929, one was established in 1873 and one in 1879, both engaged in the manufacture of metal products. Some embroidery factories in Switzerland disposed of by the Guggenheim brothers in the 1890's had been bought by Meyer, the father, in 1872.[7] By 1880 the predecessors of the General Electric Company had founded the Deutsche Edison Gesellschaft (in Germany), and in 1882 the International Western Electric Company established the Bell Telephone Manufacturing Company, S.A., in Belgium.[8]

A count of the foreign subsidiaries, branch factories,

[6] Marshall, Southard, and Taylor, *Canadian-American Industry*, p. 12.

[7] *Trade Information Bulletin No. 731*, p. 40; Gattenby Williams, *William Guggenheim* (1934), p. 15.

[8] Southard, *American Industry in Europe*, pp. 23, 43, 49. 73 Cong. 2 sess., S. doc. 120, p. 7 shows three other branch factories established in the 1880's and still in existence in 1932.

mills, and foreign companies operating under American control in all parts of the world at the close of 1929, with the date of their establishment, showed that about a third of the number were survivors of investments acquired abroad before 1915.[9] Failures, mergers, resales to foreigners, and other mortality hazards had of course taken a heavier toll of the pre-war group than of those of lesser age. Twenty-two of the survivors had been established abroad before the turn of the century.

The financial stake involved at the beginning of 1900 amounted to perhaps 100 million dollars—placed principally in Canada and Europe, with minor amounts in Mexico, Cuba, and Australia. By the summer of 1914 the total probably had grown to about 400 million dollars, or to around 475 millions if the investment in Canadian pulp and paper properties is included. Of this, about 220 millions had been placed in Canada (including 74 millions in pulp and paper), 200 millions in Europe, and almost 60 millions in Latin America and the rest of the world.[10]

The European investment was somewhat reduced during the World War. International Harvester, in the single year 1917, wrote down its European investment by almost 14 million dollars, 10 millions of which represented losses from the nationalization of property in Soviet Russia. Eventually the whole of its Russian investment of 31 million dollars was charged off as a loss, the account being closed out by a final write-off of 2.3 million dollars in 1925, when the Russian government took the plant over without compensation.[11] The Singer

[9] This statement is based on information given in S. doc. 258, 71 Cong. 3 sess., pp. 27, 28; *Trade Information Bulletin No. 731*, pp. 13, 29, 40-45.

[10] These rough estimates are explained in App. D, pp. 595 and 598.

[11] The *Chronicle*, May 4, 1918, p. 1919; Apr. 4, 1925, p. 1772;

Sewing Machine Company wrote off its Russian losses between 1916 and 1920 at 84 million dollars.[12] Part of these no doubt were trade losses, but part represented the company's factory at Podolsk, near Moscow. Parke, Davis & Co. wrote its Russian assets down by a half million dollars in 1918.[13] Victor Talking Machine reported in 1924 that its factory in Russia had been closed during the War, and Western Electric reported a loss because of the nationalization of its Russian affiliate.[14]

The Westinghouse Electric & Manufacturing Co. lost an investment of well over 1.5 million dollars in its Russian subsidiary.[15] In 1915 the company sold its French subsidiary—including the latter's control of the subsidiary in Italy—to the British Westinghouse Electric & Mfg. Co., Ltd., and in 1917 transferred its control in British Westinghouse to British interests.[16]

With the armistice agreement signed in 1918, many new branch factories were located abroad. The losses of the war period were soon offset, and still the movement continued. By the close of 1929 this class of investment had grown to about four times its pre-war total, or to

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Leonard J. Lewery, "Foreign Capital Investments in Russian Industries and Commerce," *U. S. Dept. of Commerce Miscellaneous Series No. 124* (1923), p. 27.

[12] Standard Statistics, *Standard Corporation Records*, Nov. 27, 1935.

[13] *Moody's Industrials*, 1923.

[14] The *Chronicle*, Oct. 4, 1924, p. 1637; Mar. 27, 1920, p. 1322.

[15] In 1906 the company held shares in the Russian subsidiary valued at 11 million French francs (the same, Sept. 22, 1906, p. 690). By the close of 1913 it had written these shares down to a nominal value of $2, but it also held among its assets 1.5 million dollars of the subsidiary's debentures (*Moody's Manual*, 1913).

[16] In 1904 the American company held shares of the French subsidiary valued at 11.8 million francs, or roughly 2.4 million dollars (the *Chronicle*, Aug. 6, 1904, p. 624). By the close of 1913 it had written its equity interest down to $898,878; but in addition to the shares, it held 1.4 million dollars of the debentures issued by the French company, and $481,336 by the Italian company (*Moody's Manual*, 1913). This sale is also referred to on p. 301 below.

roughly 1.8 billion dollars. Of this amount about 45 per cent were in Canadian manufactures, including pulp and paper; about 35 per cent in Europe; almost 13 per cent in Latin America; and the remaining 7 per cent were distributed in other parts of the world.[17]

Even in the depths of the depression, the investment in Canada and South America appears to have been fully maintained and somewhat increased. The valuation that a Canadian investigation placed on the investment in the Dominion at the close of 1932 was slightly higher than that reported by the Department of Commerce of the United States in 1929. In South America, the branch plants established in Argentina, Brazil, Chile, and Uruguay in the first four years of the depression almost equalled the number established in all South American countries in the last five years of prosperity, 1925-29. With recovery under way, various forces have encouraged further migration of American manufacturing into these areas.

In Europe many new branch plants have been established since 1929, but there have also been some transfers from American to foreign hands. The British have been particularly active in "repatriating" the American factories in their midst. On the Continent, however, the new branches established seem to have been more numerous than those disposed of. In Australia, Africa, and in the Orient some new establishments have also been reported.

## FINANCING THE FOREIGN MANUFACTURING PLANT

The investment in manufacturing enterprises abroad has been acquired in various ways, with initial expenditures ranging from nothing more than the transfer of certain patent rights, to the transfer of many millions of

[17] From the data given in *Trade Information Bulletin No. 731*.

dollars. The diversity of the industries represented and the great number of companies concerned preclude separate consideration of either companies or industries. A list of these investments would fill many pages, and its compilation would probably be an impossible task for any but a government agency to perform.[18] However, some sample cases, chosen more or less at random, may be cited to indicate how the large investment in foreign manufacturing has been built up.

Some of the earliest companies to begin manufacturing abroad, and also some of the most recent, acquired the properties of existing companies. Three Canadian plants were taken over in this way in 1876 when the American Screw Company bought up and re-equipped the Dundas Screw Company, and the American Powder Trust acquired two Canadian powder companies.[19] The Mead Morrison Mfg. Co. of Boston, Massachusetts, acquired the entire capital stock of M. Beatty & Co., Ltd., of Welland, Ontario, in 1920, organizing the Mead Morrison Company, Ltd., to take over the assets acquired, while the Boston company took the stock of the new Canadian company. Imbrie & Co., in 1920, acquired the controlling interest in the Acadia Sugar Refining Co., Ltd., of Halifax, one of the oldest and best-known Canadian refineries, whose control had formerly been held in Scotland.

Across the Atlantic, the Pittsburgh Plate Glass Com-

[18] Lists of companies operating in Canada are published in Fred W. Field, *Capital Investments in Canada* (1914), pp. 39-52; *Agricultural and Industrial Progress in Canada* (a Canadian Pacific Railway publication), October 1930 and April 1932; and in the *Monetary Times*, May 9, 1919, pp. 18-24. America's foreign investment in manufacturing is classified by industries in *Trade Information Bulletin No. 731*, pp. 39-45.

[19] Marshall, Southard, and Taylor, *Canadian-American Industry*, pp. 11, 83.

pany bought control of a factory at Courceles, Belgium, in 1903. In 1916 the American Chain Company, Inc., bought control of the Parsons Non-Skid Co., Ltd., a British concern, and General Motors, in 1925, bought up the Vauxhall Company manufacturing a British car similar to the Buick. Early in the depression Procter & Gamble acquired a controlling interest in the largest independent soap manufacturing company in Great Britain and began negotiating for plants in France, Germany, and other parts of Europe.[20] The International Telephone & Telegraph Company acquired substantial interests in a German and a Norwegian manufacturing company. In South America, duPont in 1933—through a subsidiary, the Grasseli Chemical Co.—acquired a 60 per cent interest in an Argentine company importing and processing sulphur.

These and other American companies acquired their foreign plants from foreigners, but such purchases were sometimes made from fellow-Americans. Quaker Oats in 1906 bought an Ontario mill from the American Cereal Company of Ohio. In 1926 the Canadian subsidiary of Goodyear Tire & Rubber Company acquired the Canadian Manhasset Cotton Company from former American owners. In 1934 the Eitington Schild Co. sold its cotton textile mills in Poland to another American group—for 3.6 million dollars.

Many companies have chosen to establish their foreign plants as new ventures—acquiring undeveloped building sites and erecting new buildings—rather than as successors to the business and properties of earlier concerns. Ford characteristically chooses this way of entering a new field. Such new plants may mark the original entry of

[20] The *Chronicle*, Aug. 2, 1930, p. 802. In 1935 the company also bought for cash an important Canadian company that had been manufacturing soap since 1865. The *Chronicle*, Feb. 2, 1935, p. 810.

the company into the country concerned. More often, however, expansion into foreign manufacturing or assembling is an outgrowth of the earlier foreign sales or foreign purchasing organization of the parent company.

Little, if any, American "money" crosses the border to finance the entry of some companies into foreign manufacturing, or their eventual growth. Sometimes old plant and equipment are shipped from the United States to be used in foreign countries. For example, Tubize Chatillon in 1935 dismantled its rayon plant at Hopewell, Virginia, and shipped it to Brazil where a subsidiary was organized to supply that market.[21]

In many cases patent rights represent the larger part of a company's contribution toward the establishment of a foreign subsidiary or affiliate. Thus, when the Ford Motor Company of Canada was founded by a Canadian, Gordon MacGregor, in 1904, a 51 per cent equity was turned over to the Detroit company in exchange for all Ford rights and processes in perpetuity in Canada, New Zealand, Australia, India, South Africa, and British Malaya. The years that followed were highly successful, and though large dividends were paid, re-invested earnings were also large. In 1912, a stock dividend increased the company's outstanding stock from $125,000 to 1 million dollars; and in October 1915, a 600 per cent stock dividend was voted, increasing the outstanding stock to 7 million dollars. By the close of 1925, the company's capital and surplus stood on the balance sheet at more than 31 million dollars, all of the increase representing re-invested earnings.[22] It was estimated that by 1927 stock purchases had increased the American share

[21] The *Chronicle*, June 22, 1935, p. 4251.

[22] Surplus amounted to 24 millions. The company first offered its stock to the public in 1929—although the New York Curb and Detroit and Toronto Exchanges had listed the stock a number of years earlier.

in the company to around 85 per cent. In the meantime the company had paid out about 15 million dollars in cash dividends. Thus the cost to the American economy of this large investment in Canada would seem to have been the patent rights involved, plus something less than the re-investment of dividends received.[23]

The Libbey-Owens Glass Company built up a large foreign investment on the basis of patent rights. In 1921 a company licensed to use its machines was incorporated in Belgium. The American company received in exchange a royalty contract and a large stock interest in the new company and also in the subsidiaries it was authorized to organize in other countries. By this method the American company acquired substantial holdings in Japan, France, Germany, and a number of other countries as well as in Belgium, holding these on its books in 1929 at 3.5 million dollars, and in 1934 at 1.9 millions.[24] The Air Reduction Co., Inc., of New York in 1919 received 25 per cent of the stock of the Cuban Air Products Corporation, in exchange for patent rights in Cuba and Porto Rico only.[25]

Westinghouse Electric acquired common stock of its British subsidiary, organized in 1899, in exchange for its patent rights in the United Kingdom and British possessions, except Canada. In addition the American company subscribed for £150,000 of the £500,000 common offered to the public, and guaranteed two years' dividends on the preferred stock issued. For a time the parent company gave considerable financial and other help to this

[23] *Moody's Industrials*, 1923, Vol. I, p. 403; *Poor's Industrials*, 1927, p. 2683; Marshall, Southard, and Taylor, *Canadian-American Industry*, pp. 63-64.

[24] Southard, *American Industry in Europe*, p. 15, and the financial manuals.

[25] The *Chronicle*, Mar. 15, 1924, p. 1265.

subsidiary, and finally in 1917 sold its holdings to a British syndicate. The British company thus became an independent foreign corporation and a competitor with the American company in most parts of the world.[26]

In the Willys-Overland Crossley, Ltd., merger in Great Britain in 1919, Willys-Overland patent rights and other assets were exchanged for some cash and a majority of the common stock of the new company. The Crossley interests acquired the remainder of the common, plus part payment in cash, for their British factory. Japanese and American interests joined forces in the organization of the Nippon Electric Company using American patents, and in 1921, through Nippon, in the organization of the Sumitomo Electric Wire and Cable Works, Ltd.[27] Buick patents were acquired by a Canadian manufacturer in 1910 in exchange for a 42 per cent stock interest in the company, increased by later changes and reorganizations until in 1918, with the organization of General Motors of Canada, Ltd., that company's stock was entirely owned by the American corporation.[28]

In contrast to these low-cost beginnings are the large initial expenditures made by some companies. The establishment of early American lumbering concerns in Canada sometimes involved an initial outlay of as much as 10 million dollars. United States Steel put 20 million dollars into the construction of plant in Canada when its subsidiary, the Canadian Steel Corporation, was or-

[26] The *Chronicle*, July 29, 1899, p. 202; the *Statist*, Apr. 28, 1917, p. 721; *Moody's Industrials*, 1923, Vol. II, p. 1160. Payment from the syndicate was taken in securities which the American company sold in 1919. Southard (*American Industry in Europe*, p. 33) says the company received 13 million dollars cash from this sale—a point on which the manuals are not entirely clear.

[27] The *Chronicle*, Oct. 22, 1921, p. 1777.

[28] Marshall, Southard, and Taylor, *Canadian-American Industry*, pp. 63-65.

ganized in 1913.[29] General Motors' purchase of an 80 per cent interest in the leading motor company of Germany, the Adam Opel A. G., is reported to have been made in 1929 at a cost of 30 million dollars. The remaining 20 per cent minority interest was bought by General Motors two years later. On the company's balance sheet in 1929 this investment is shown at 26 million dollars, in 1934 at 35 millions.[30] In the five years 1924-29, General Electric bought more than a 90 per cent interest in Canadian General Electric at an estimated cost of about 12 million dollars in cash and almost 10 millions in the preferred stock of the reorganized Canadian company.

The financing required for the foreign subsidiary, whether large or small, has been handled in a variety of ways. Royal Baking Powder announced that its purchases of stock in the (Canadian) E. W. Gillett Co., Ltd., 1906-09, were made out of surplus—a common way of financing foreign investments.[31] The American Radiator Company started in a modest way in 1897 or 1898 with a branch factory in France, apparently financed out of surplus; employed the profits from this branch business in establishing a German factory in 1901; and in 1905 built an English factory. By 1922 the company had also established subsidiaries in Austria, Italy, Belgium, Spain, and Canada, and the plants of its earlier subsidiaries had been considerably enlarged. This growth had been financed by the consistent re-investment of earnings, no dividends having been paid by any of these companies until late in the war period.[32] Similar in outline was the

[29] The same, pp. 55, 71.

[30] The *Chronicle*, Mar. 23, 1929, p. 1915, Apr. 23, 1932, p. 3087, and the financial manuals.

[31] The *Chronicle*, Oct. 20, 1928, p. 2245.

[32] The same, May 5, 1910, p. 622; Mar. 25, 1922, p. 1283. A

expansion of International Harvester's manufacturing activities: into Canada in 1902, Sweden in 1904, France in 1905, Germany in 1908, and into Russia, with the acquisition of the Lubertzy works in 1909 and the plant at Moscow in 1910.[33]

The growth of Eastman Kodak was financed largely from surplus, but in this case the British and American companies were established at about the same time, and grew up together. As a matter of fact, Eastman's first patent was obtained in England in 1879. French and German manufacturing subsidiaries had been organized by the close of the nineties, and others added later. At the close of 1933 the company valued its assets in Europe at 27.7 million dollars, in Canada at 5.2 millions, in Asia and the Far East at 2.0 millions, in Africa at 1.9 millions, and in South America, Cuba, and Mexico at 1.4 millions, or a total of 38.2 million dollars.[34]

In the acquisition of new foreign properties, the parent company sometimes makes payment in its own shares or in shares of a subsidiary—often of the foreign subsidiary immediately concerned. For example, the Bear River Pulp Co., Ltd., representing New York and Chicago interests, bought pulp and paper properties in Nova Scotia in 1924 for which they paid $200,000 in cash, and 1.3 million dollars in the securities of the Canadian company formed to take over these properties.[35] The Standard Milling Company in 1923 acquired three Canadian companies in exchange for $608,000 of its own common

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manufacturing plant in Switzerland had been added to the list by 1932. The company stated in 1922 that the investment in its foreign subsidiaries "was nominal and is so carried on the books" of the company.

[33] Full information concerning this company is given in the manuals.

[34] The *Chronicle*, Mar. 31, 1934, p. 2247.

[35] The same, Feb. 16, 1924, p. 798.

stock.[36] The Yale & Towne Mfg. Co. bought H. & T. Vaughan, Ltd., of Great Britain in 1929 in exchange for shares of its own common, valued at about 1.5 million dollars.[37] Such exchanges of securities may, of course, extend the control exercised by American companies, but they do not increase the net foreign investment of Americans for they are offset by the foreign acquisition of American securities.

By offering new issues of stocks and bonds in the security markets the companies have frequently called on "the public" for assistance in financing their branch plants and subsidiaries. The Monsanto Chemical Works (already holding a 50 per cent interest in the Graesser-Monsanto Chemical Works, Ltd., established at Ruabon, North Wales, in 1867) acquired the remaining 50 per cent in 1928 through the sale of its own shares—in this case, to existing stockholders.[38] In 1932 the company made considerable additions to the plant and equipment of its British subsidiary, and two years later sold a £400,000 issue of preferred stock of the subsidiary to reimburse the parent for such expenditures.[39]

On March 31, 1904, the American Locomotive Company bought up the shares of the Locomotive & Machine Company of Montreal, Ltd., and on the same day a 1.5 million dollar issue of the bonds of the subsidiary, guaranteed by the parent company, was publicly offered. In 1928 the Curtiss Aeroplane and Motor Company acquired a 51 per cent interest in Curtiss-Reid Aircraft Company, Ltd., of Montreal, financing the purchase through a $1,275,000 issue of the Canadian company's

[36] The same, May 19, 1923, p. 2267.

[37] The same, Oct. 26, 1929, p. 2702. Other examples are cited by Marshall, Southard, and Taylor, *Canadian-American Industry*, p. 226.

[38] The *Chronicle*, Apr. 19, 1924, p. 1921; Nov. 3, 1928, p. 2545.

[39] The same, Sept. 3, 1932, p. 1670; Sept. 15, 1934, p. 1715; Oct. 27, 1934, p. 2684.

preferred stock, of which about 1 million dollars was taken in the United States.[40]

### WHY BRANCH PLANTS OPERATE ABROAD

American-controlled factories and branch plants operating abroad divide into two broad classes: those whose products are intended for foreign consumption, and those producing for the American market. In the first class may be listed plants producing most of the goods manufactured at home, including, among many others, such things as needles and pins and razor blades, phonographs, talking picture equipment, telephones and other electrical appliances, cash registers and typewriters, automobiles and airplanes, tractors and threshing machines, steam shovels and locomotives. Among the second are the American investments in the Canadian pulp and paper industry, Canadian lobster and sardine packing plants, Spanish and Portuguese cork factories, South American meat packing plants, Philippine embroidery, and the Indian jute industry. In general these are characterized by the exploitation of foreign natural resources. In all of these industries, of course, the migration has been motivated by a desire for profits, but the immediate advantages to be gained by the operation of foreign factories are not the same for all of them.

For the large class of industries producing for the foreign market, the principal advantages sought are lower production costs and the development of good-will for their products, both of these contributing toward larger sales. Factors important in reducing costs for one industry may, of course, not operate for others, but in general these economies are effected by reducing dis-

[40] Marshall, Southard, and Taylor, *Canadian-American Industry*, p. 87. The *Chronicle*, Dec. 22, 1928, p. 3546.

tances and therefore transportation costs, getting inside tariff walls, manufacturing inside areas where exchange differentials have cut costs in comparison with American rates, lowering labor costs, and the utilization of raw materials at their source. Of temporary significance are the opportunities sometimes offered of picking up bargains in the properties of concerns going out of business. Particularly important in developing good-will are facilities provided for servicing the products, of modifying them to meet foreign national tastes, and of bowing to the present world-wide wave of nationalism by marking the goods with the "home industries" label.

Tariffs for protection, explicitly intended to push up prices and "keep the foreigner out," have long had the effect of bringing the foreign factory inside the tariff wall. The *Monetary Times* observed editorially in 1878 that changes in tariff policy then in process constituted an invitation to American branch factories to enter Canada. In 1885 an official document noted with satisfaction that the Tariff Act of 1879 had, in fact, resulted in the establishment of several such factories.[41] Fifty years later, the whole of the American-controlled automobile industry in Canada, with the exception of Ford and General Motors, was credited to the tariff by Canadian writers.[42] In 1930, folowing an increase in the duty on canned soups, Campbell Soup established a 2 million dollar manufacturing subsidiary in Canada.[43] In Australia in 1930 (Julius) Kayser & Co. anticipated the imposition of a prohibitive duty on silk hosiery by forming a large subsidiary to manufacture in that market.[44] Tariffs, al-

[41] Marshall, Southard, and Taylor, *Canadian-American Industry*, p. 15.
[42] The same, pp. 69, 200.
[43] *The* (London) *Economist*, Feb. 7, 1931, p. 295.
[44] The *Chronicle*, Aug. 16, 1930, p. 1093.

ready high in Europe, were raised still higher following the World War. Accordingly, as Sir William Joynson-Hicks remarked at the opening of the Firestone factory in England in 1928, American factories "accepted the invitation" thus extended them to manufacture abroad.[45] Thereafter, they profited from the "protection" they had gained, and also from the consumer good-will accruing from the use of the "home industries" label.

In a market not too sparse the branch factory or assembling plant is likely to offer some savings in transportation costs on bulky heavy commodities such as farm machinery and automobiles. For example, Ford reports that ten knocked-down cars occupy no more space than one completely assembled.[46] Similar savings may be realized on goods subject to heavy damage in transit. Thus, in 1918, the General Edison Company decided to save breakage and high Pacific freight rates by establishing a small plant for the manufacture of electric lamps in China. It was the saving in labor costs, however, that seems to have accounted for the success of this venture, which three years later had bought new land and was putting up fourteen new factories in China. Plenty of Chinese laborers were found who understood glass blowing, the best of them ready to work at rates equal to about 32 to 40 cents a day as compared with a wage for this work in the United States of $10 a day, while the output per man in China averaged 1.7 to 2 times as much as in the United States. Women and girls stringing filaments and making the lamps received the equivalent of 16 cents a day, as against $4.50 per day for the same labor in the United States.[47]

[45] Southard, *American Industry in Europe*, p. 117.
[46] The same, p. 119.
[47] The *Chronicle*, Apr. 23, 1921, p. 1745.

Some companies have frankly acknowledged that savings on labor costs entered into their original decisions to locate abroad.[48] Others, like Ford, the Dennison Manufacturing Company, Shredded Wheat, Eastman Kodak, and the National Cash Register, have carried into Europe the high wage policy they had adopted in the United States.[49] On the whole, lower labor costs apparently play a less important role in the branch factory movement than that assumed by "the tariff."

Some of the American investments in manufacturing properties abroad soon after the War, and again in the present decade, have resulted directly from the currency and exchange difficulties experienced in many countries. For example, E. Ames & Co. of Toronto attributed to this factor and the tariff the investment of about 125 million dollars in new industries and branch plants in the Dominion in the single year 1919.[50] At the present time the transfer of funds to New York from branch companies operating in a number of foreign countries is almost completely blocked by restrictions on exchange transactions. Consequently, earnings accumulated abroad are being invested in the properties and securities of the countries where they are lodged. Such funds may be re-invested directly by the companies concerned, but undoubtedly they may also be acquired for investment purposes by other American companies wishing to avoid the operation of foreign tariffs and quota provisions, and are helping

[48] When the Williams Harvey Corp., a British-Bolivian-American corporation bought a half interest in a German smelter in 1925, it was announced that the decision had been based on a comparison of wage rates: 56 cents an hour in the United States vs. 17 cents in Germany. The *Chronicle*, Sept. 12, 1925, p. 1355.

[49] Southard, *American Industry in Europe*, p. 154.

[50] At the time this statement was published, Canadian exchange was at a discount of 17 per cent in the United States. The *Chronicle*, Feb. 21, 1920, p. 705; June 19, 1920, pp. 2522-23.

finance some of the new branch factories and assembling plants now being established abroad.[51]

Consumer good-will often depends largely on the services furnished the buyer at the time his goods are delivered and at later dates when repairs are needed, and also on modifications made to suit the tastes or special problems of foreign markets. At the beginning of the century, for example, International Harvester branch plants helped foreign purchasers become acquainted with their new farm machinery and keep it in order, and also built machines specially adapted to foreign conditions. Mowers were built with cutter bars very close to the ground, designed to save straw for thrifty peasants. Smaller and lighter weight mowers were built for Switzerland and south Germany where dairy cows were used as draft animals. Right-handed binders were supplied where oxen were used, and where generations of drivers had walked along at the left to drive these animals.[52]

Some foreign migration of industry has been stimulated by actions of foreign governments and foreign communities, consciously taken with such an end in view. This is particularly true of industries dependent on foreign raw materials but also, to a lesser extent, of many others. To stimulate the erection of paper and pulp mills, the Province of Ontario in 1900 prohibited the export of pulp wood from the Crown lands in the Province. Similar legislation was passed by the Dominion Parliament in 1907, Quebec in 1910, New Brunswick in 1911, and British Columbia in 1913.[53] Bounties for the iron and

[51] International Portland Cement states, in its 1934 report, that it has invested 1.8 million dollars in South American government obligations for this reason.

[52] From the testimony of the Manager of the Foreign Department, *U.S.* v. *International Harvester Co.*, District Court of the United States, District of Minnesota (1912), pp. 141-42.

[53] In 1911 the United States first put newsprint on the free list.

steel industry were provided by Canadian law in 1883, and to the continuation and extension of this system in 1897 and 1899 is credited the establishment of two American plants for the manufacture of steel rails. In 1900, at the instigation of the American promoter of Algoma Steel—according to Canadian reports—a clause was inserted in the railway act of the Dominion making it incumbent upon railway companies receiving government subsidies to lay their roads with rails made in Canada.[54]

Of a kind are the patent laws of some countries. Those of Canada, as amended in 1903, made a patent null and void at the end of two years "unless the patentee shall commence and continuously carry on in Canada the construction or manufacture of the invention patented, in such a manner that any person desiring to use it may obtain it at a reasonable price . . . in Canada," and at the end of twelve months if the "patentee imports into Canada the invention for which the patent is granted." The establishment of 130 branches in Ontario and Quebec was attributed by one writer directly to this law.[55] The British patent act of 1907 contained a somewhat similar though less drastic "working" clause,[56] which by 1911 was credited with having brought into the United Kingdom the following new industries, largely German and American: metallic filament electric lamps, aniline dyes, mercerized cotton, safety razors, cinematograph films, talking machines, cash registers, shoe-making machinery, oxygen foods and medicines, fancy leather goods and

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Marshall, Southard, and Taylor, *Canadian-American Industry*, pp. 36-37.

[54] Edward Porritt, *Sixty Years of Protection in Canada 1846-1907* (1908), pp. 26, 399. The present law is less drastic.

[55] The same, p. 410.

[56] Abandoned in the 1919 revision of the law.

gloves (the last two for the American market), and clay glaze.[57]

In 1924 direct pressure was put on the International Telephone and Telegraph Company to manufacture telephone equipment in Spain. The company had successfully bid against various competitors for the Spanish concession—accepting as one of the provisions imposed by the government, the requirement that their Spanish company should use equipment manufactured in Spain.[58]

A gentler but no less impelling influence is exerted by Ontario municipalities that long have followed the custom of providing industrial newcomers with free sites and money bonuses, granting them loans and tax exemptions, and sometimes giving free water and electric lights. Ninety-five Ontario municipalities by 1900 had thus granted aid to factories—Canadian and American. This custom was also adopted by New Brunswick and Nova Scotia, the latter incorporating a provision in the general law of the province under which machinery and goods in process of manufacturing are exempted from taxation for any purpose except schools, sewers, and municipal water supplies.[59] The Goodyear Tire & Rubber Co. of Canada, Ltd., mentioned in its 1921 report that its plant at Bowmanville was tax exempt, except school tax, until 1925, and the one at New Toronto until 1936. The president of American Car and Foundry, in announcing a large stock purchase of Canadian Car and Foundry[60] in 1920, said that it was "made in direct response" to an

[57] U. S. Dept. of Commerce, *Weekly Consular and Trade Reports*, April-June 1912, p. 740.

[58] *Fortune*, December 1930, p. 35.

[59] Porritt, *Sixty Years of Protection in Canada*, pp. 410, 412-13. Similar provisions have been noted in the concessions granted by various countries to companies exploiting raw materials, for example, on pp. 250 and 286-87 above.

[60] The *Chronicle*, Feb. 7, 1920, p. 5631.

address by the Canadian Minister of Finance in which American industrialists and capitalists were invited to make investments in Canada.

There are exceptions, but in general the branch factory and the manufacturing subsidiary are welcomed in markets where the parent company may find little demand, if any, for goods it produces in the United States. Even in industrially advanced countries this type of investment is seldom viewed with the grudging suspicion often turned against the foreign exploiter of natural resources. Key industries may, of course, be reserved for domestic capital. In other lines of manufacturing, however, American enterprises are accepted as offering immediate advantages of expanded employment and buying power without placing a mortgage on the future.

In 1929 more American capital was invested in foreign manufacturing than in any other group of foreign enterprises except those engaged in the production of minerals. Since 1929 there have been some losses and other reductions in the value of foreign branch factories, but these have been fully offset by the establishment of many new plants. In fact, available information indicates that on balance there has been an increase in the total. While this increase cannot be accurately measured, it probably amounted to as much as 50 million dollars, raising the total from 1,821 million dollars in 1929 to about 1,870 millions at the close of 1935.

# CHAPTER XV

# PUBLIC UTILITY AND OTHER INVESTMENTS

American investments in foreign railways began at a comparatively early date and have been confined principally to the Caribbean countries. The flow of capital into foreign public utilities was a later development. Since the War such investments have grown very rapidly, and at the present time account for more than one-seventh of the American capital engaged in all productive enterprises abroad. Ocean shipping and various miscellaneous enterprises have never accounted for more than a small share of the total.

## RAILWAYS

While European funds were aiding in the rapid development of transportation in the United States during the last half of the nineteenth century, American capital was seeking similar opportunities in other countries in the western hemisphere. In 1826 an American attempted to organize a Panamanian enterprise and, a decade later, another promoter was granted a charter for a short railroad which would span the gap between the Chagres River and the Pacific. Various canal projects were proposed for joining the two oceans, but none was ever built with private capital.[1]

With the acquisition of Texas and California, and the discovery of gold at Sutter's Creek, a line of transportation and communication between the East and the West of the United States, shorter and quicker than around

[1] B. H. Meyer (editor), *History of Transportation in the United States before 1860* (1917), p. 606.

the Horn, became imperative. One of the earliest American investments in foreign transportation was the Panama Railroad, designed to serve the emigrants to the new territories and the California gold fields. The road was chartered in New York in 1849 and finally opened in 1855. In the meantime, Vanderbilt's 4 million dollar Nicaragua Transit Company was carrying the forty-niners across the isthmus by ship and stagecoach at a tremendous profit to the Commodore.[2] In 1850 a trans-isthmian railroad in Honduras was projected and a concession obtained. Unfortunately for the promoters, the road threatened to compete with the Panama Railroad, and though $400,000 were spent on surveying, no rails were ever laid.[3]

Projects in Canada have been confined for the most part to expansions of existing American systems. The Canada Southern, which in 1868-73 gave Vanderbilt a shorter route from Chicago to New York City, was one of the earliest extensions of an American road into Canada. This was followed by the construction of feeder and other connecting lines by other roads during the next thirty years.

American rail investments in South America have been few and shortlived. For example, in 1871, a New Englander, financed by British capital, endeavored to build a short road in the rubber district of Bolivia, but tropical weather and a massacre ended the scheme.[4] In 1891 the Cartagena Terminal and Improvement Company was formed in Boston for the purpose of developing a concession in Colombia.[5] A little more than 1 million dollars

[2] Henry Clews, *Twenty-Eight Years in Wall Street* (1888), p. 345.
[3] Frederick M. Halsey, *The Railroads of South and Central America* (1914), p. 138.
[4] Howard and Ralph Wolf, *Rubber* (1936), pp. 72-73.
[5] U. S. Dept. of Commerce, *Railways of South America* (1927) p. 87.

was put into the property, which was sold to a British concern in 1906. The following year Speyer & Co. and the National City Bank received a concession to build a railway in Bolivia, and organized the Bolivian Railway Company—allotting to themselves all of the 9.6 million dollars of issued capital stock. Some mileage was laid, but it was financed almost entirely by receipts from a £3,750,000 bond issue (sold at 80)—for only $3,500 was paid on the capital stock. In 1908 control of the road was sold to a British concern.[6]

The varying policies of the Mexican government have alternately encouraged and impeded American development of railroads in that country. In 1833 when an American schoolmaster and engineer suggested railway building in Mexico, Santa Anna, then president, opposed the idea, giving as his reason "the harm that would accrue to the raisers of mules and the owners of wagons as well as to the muleteers and drivers. . . ." "Fear of Yankee influence" caused later Mexican governments to void the concessions they granted before any work was done. Beginning in 1849, one project after another received favorable consideration by the government in office, only to be cancelled a short time later.

With Diaz' rise to power in 1876, American capital flowed into the building of Mexican railroads, providing transportation facilities for the rich mining and agricultural areas of the country. Once the roads were built, with the aid of British and American capital, it was again fear of the "Yankee" that caused the Mexican government in 1906-08 to acquire a large part of the country's mileage for a government-controlled system, the National Railways of Mexico. In short, Diaz nationalized

[6] Margaret A. Marsh, *The Bankers in Bolivia* (1928), p. 75; *Commercial and Financial Chronicle*, July 14, 1906, p. 93; June 6, 1908, p. 1408; Dec. 5, 1908, p. 1477.

the railways of Mexico to forestall the schemes of H. Clay Pierce and E. H. Harriman for consolidating the Mexican Central and the Mexican National.[7] The Southern Pacific of Mexico is the one important road still under American control.

Following the Spanish-American War, the paternalistic policy of the United States government toward the Caribbean countries encouraged the growth of investments in transportation as well as agriculture in this area. Although the Panama Railroad, the Guatemala Central (1878), and a few others had been organized earlier, it was not until this period that any considerable number of projects was started. Concessions were easily obtained, and rail promotions mushroomed in nearly all the countries of the Caribbean. Cuba, for example, was "opened wide to American contractors and concession seekers."[8] A half dozen roads were built to serve the growing sugar industry and later were consolidated into one system.

This policy opened the way for an important banking and railway investment in Nicaragua in 1912.[9] In return for a loan of 1½ million dollars, Brown & Co. and J. & W. Seligman & Co. obtained an option to buy 51 per cent of the stock of the Pacific Railway of Nicaragua and the National Bank of Nicaragua. Since the latter had sole power over the country's finances, this gave the two banking firms control of both the transportation and banking facilities of the country—while a provision in the contract specifically gave them the right to apply to

[7] Fred W. Powell, *The Railroads of Mexico* (1912), pp. 99-100, 115. *Poor's Manuals of Railroads*, 1908-14, give a detailed account of the change in ownership.

[8] Harold U. Faulkner, *American Political and Social History* (1937), p. 527.

[9] The same, p. 542.

the United States government for protection against violation of the agreement. One and a half million dollars were paid for 51 per cent of the 3.3 million dollars stock of the railroad, the government retaining the remainder. The American bankers announced in 1914 that they had paid more than the road was worth and had received no dividends. However, the actual cost of construction, as carried on the company's books in 1912, was 3.2 million dollars, and during the eight years of control the bankers received about $700,000 in dividends. In 1920 Nicaragua bought back control for $300,000 cash and $1,450,000 in treasury notes.[10]

Although the greater number of roads were built to provide transportation for some growing industry, there were some whose principal purpose was the exploitation of natural resources in undeveloped areas. For example, the Cuban Eastern Railroad was organized in 1903 to construct a road which, although it ran through sugar lands, was primarily intended to tap a large hardwood forest belonging to the Cuba Hardwood Company,[11] a company owned by the interests in control of the railroad. The Honduras National Railroad was formed in 1908 to build a road through undeveloped territory and was granted one million acres along the right of way. It was to be financed largely by a loan floated in London. The title to the land was vested in another company organized to develop the lumber, mineral, and other resources. The government had the right to buy back the road at the end of 25 years at its assessed value.[12]

[10] The *Chronicle*, June 22, 1912, p. 1713; July 6, 1912, p. 48; June 20, 1914, p. 1931. U. S. Dept. of Commerce, *Railways of Central America and West Indies* (1925), p. 84.

[11] The *Chronicle*, June 20, 1903, p. 1355.

[12] The same, Jan. 8, 1910, p. 109; Feb. 26, 1910, p. 559; Mar. 26, 1910, p. 849.

While the construction of America's rapidly expanding transportation systems was under way, some very enterprising American engineers and contractors were searching foreign fields for possible openings for railway building. In 1849 one of the organizers of the Pacific Steam Navigation Co. built a line from an inland mining town to the port of Caldera, the first road in Chile and one of the earliest in Latin America.[13] Twenty years later the government of Peru contracted with Henry Meiggs to construct the "Central Transandine Railroad," a project—interrupted for several years by his death and the exhaustion of funds—which has been regarded as one of the engineering wonders of the world.[14]

Meiggs' fame as a railroad builder resulted in his being sought in 1870 by Costa Rica to build a transcontinental road to open the undeveloped areas in that country.[15] Meiggs turned this project over to his nephew, Minor C. Keith, starting him on his career as a builder. The road was financed by British capital but Keith himself guaranteed the payment of interest on the loans. Later on, he resorted to the growing of bananas on the lands granted to the company, in order to meet these interest obligations.[16]

In 1889, W. R. Grace & Co. was instrumental in effecting a settlement between the Bolivian government and its foreign bondholders. Together with British associates, they formed a syndicate to operate nine roads on a 66-

[13] U. S. Dept. of Commerce, *Investments in Latin America*, Chile, (1926), p. 28.

[14] *Poor's Manual of Railroads*, 1890, pp. 1259-60—The Arequipa Puno & Cuzco Railway; U. S. Dept. of Commerce, *Railways of South America*, p. 211.

[15] *Fortune*, March 1933, p. 30.

[16] *Poor's Manual of Railroads*, 1890, p. 1254; *Fortune*, March 1933, p. 116. See p. 280.

year lease and build two more.[17] J. G. White & Company and Ulen & Company are well known in many foreign countries as builders of railroad enterprises.[18]

This outflow of capital and engineering ability aided in the development of a world-wide market for American rail equipment. Since the beginning of their export business in 1836, the Baldwin Locomotive Works have exported to practically all countries of the world,[19] and in the two years 1899-1900 sold 700 engines to more than 30 countries.[20] Throughout Latin America the choice of equipment seems generally to have been for American goods. When Japan borrowed many millions in London from 1907-11 to build the South Manchuria Railway, American locomotives, rails, and cars were purchased in preference to those obtainable in the lending country.[21]

From 143 million dollars in 1897 the American investment in foreign railroads reached a peak of nearly 350 millions in 1924. The nationalization of the greater part of Mexico's mileage during the first decade of the twentieth century shifted a large part of the American railroad investment in that country from a "direct" to a "portfolio" status. In a short time this decrease in the direct investment was more than offset by the expansion of the Southern Pacific in Mexico and by new investments in Caribbean countries. In the latter case railways were acquired in connection with the rapid growth of

[17] *Poor's Manual of Railroads*, 1890, p. 1259; *Fortune*, December 1935, p. 161.

[18] *The Chronicle*, Jan. 27, 1906, p. 219; Mar. 16, 1907, p. 630; July 6, 1912, p. 48; Aug. 21, 1915, p. 617; Dec. 11, 1915, p. 1972; U. S. Dept. of Commerce, *Railways of Central America and the West Indies*, p. 81; and Marsh, *The Bankers in Bolivia*, p. 81.

[19] *Fortune*, July 1930, p. 60.

[20] W. T. Stead, *The Americanization of the World* (1902), p. 366.

[21] *Fortune*, February 1932, p. 51.

American agricultural enterprises—sugar in Cuba, fruit in Central America.

By 1935 the total investment in railroads had decreased to 260 million dollars. Most of the reduction was represented by the write-down of the investment in Mexico, where the properties will have to be turned over to the government without compensation at the expiration of the concessions.

### OCEAN SHIPPING AND FREIGHT HANDLING

The investment in foreign shipping—that is, in ships registered under foreign flags—and in terminal facilities in foreign ports, has never bulked large in the total of American foreign direct investments. Practically all of the shipping investments have been in vessels operating under the British flag, and under the control of one American corporation, the International Mercantile Marine Company, organized in 1902.

J. P. Morgan & Co. saw in transatlantic shipping, with its intense and often unprofitable competition, an opportunity for organizing another large-scale combination. In 1901 they acquired control of a British company, the Frederick Leyland & Co., Ltd., and of an American concern, the International Navigation Co., which had had a Belgian subsidiary for more than five years. Although thwarted by public opinion and governmental policy in their attempt to gain control of two German lines and one other British line, Morgan & Co., by offering very attractive prices, were able to fold five American and British companies into this new combination—the International Mercantile Marine Company.[22]

The controlling interest in the Leyland Line—about

[22] Control of the British companies was obtained upon the agreement to keep the ships registered under the British flag. Lewis Corey, *The House of Morgan* (1930), pp. 304-05.

8 million dollars of ordinary stock—was purchased for 11.7 million dollars in cash. The 20.4 million dollars stock of the American Line and the Atlantic Transport Company was bought for 43.3 million dollars in cash and stock of the new company. The prices paid for the White Star Line and the Dominion Line were ten times their net earnings for 1900, after deductions for depreciation—the peak year in transatlantic shipping when the earnings of shipping companies were 2 to 2½ times the average for the ten preceding years. The Morgan syndicate supplied the new company with 50 million dollars in cash, receiving debentures for a like amount and 27½ million dollars in stock.[23] The total amount paid for these shipping lines and promoters' services necessitated a considerable write-up in the value of the assets.

By 1908 another British company had been added to the American shipping investment, with United Fruit's acquisition of the Tropical Fruit Steamship Co., Ltd., operating between various Caribbean ports and the United States. Two years later United Fruit purchased Elders & Fyffes, Ltd., a company engaged in carrying passengers and supplying the European market with fruit.

From the peak year 1914 to 1935 the total investment dropped from 126 million dollars to 16 millions —principally because of sales to foreign interests and transfers to American registry. Since International Mercantile Marine ships sailing under a foreign flag had been unable to obtain any of the lucrative mail subsidies either from the United States government or from a foreign government, the company decided in 1927 to sell such ships or place them under American registry. The same year they sold a large part of the fleet, at a loss, to a

[23] The *Chronicle*, May 24, 1902, p. 1093; Nov. 1, 1902, p. 983.

British group. By 1935 they had disposed of the few ships still under foreign flag, retaining a small foreign investment in terminals and office buildings. In the meantime, the shipping investment of the United Fruit Co. had been more than doubled.

Some of the earliest American foreign investments were those made in freight-handling facilities, that is, in wharves and warehouses at various points along the trade routes. For example, Bush Terminals, with branches in thirteen foreign countries in 1929, established its first foreign subsidiary in 1815. The Pacific Mail Steamship Company (incorporated in 1848), owned wharves and warehouses in Hongkong and in Yokohama that in 1872 were valued at $172,000 and $62,000, respectively.[24]

From a million dollars or more in 1897, the investment in terminals had increased to some 16 or 17 million dollars by 1935. Many other properties of this type, located in the important trading centers of the world, are owned by American corporations specializing in various industries—for example, in petroleum production and distribution, or in agriculture. These, however, are included with the investment in those industries.

### PUBLIC UTILITIES

Early American investments in foreign utilities were almost solely in ocean and land telegraph cables. In 1854 Cyrus Field obtained 1.5 million dollars in New York City for a transatlantic cable, and on his fourth attempt twelve years later was successful in connecting the two continents.[25] When plans were announced in 1872 for laying two additional cables across the Atlantic and one to China, the *Commercial and Financial Chroni-*

[24] The same, June 1, 1872, p. 666; Mar. 1, 1930, p. 1464.

[25] Clews, *Twenty-Eight Years in Wall Street*, p. 60.

*cle* commented that it was "gratifying to note that our capitalists are beginning to interest themselves in ocean telegraph, a field which has hitherto been monopolized by British capitalists."[26] Thereafter, with the growth in American foreign trade, American cable companies rapidly expanded their facilities, laying their lines of communication along important trade routes—to Europe, the Far East, Mexico, and western South America, and later throughout the Caribbean area.

The last decade of the nineteenth century saw the beginning of a world-wide boom in the building of electric light and power plants, electric railways, and telephone systems, in which Americans took an important part. The impetus in the development of this new industry was for a long time supplied principally by American contractors and manufacturers of electrical equipment, although many projects were promoted by small capitalists.

In 1903 the contracting firm of J. G. White & Company, associated with the banking house of Speyer & Company, and Westinghouse Electric and Manufacturing Company, obtained a concession to build a street railway and lighting plants in Manila, using Westinghouse equipment throughout.[27] The same year, the Netherlands Tramway Corporation was incorporated in Connecticut to own all the stock of a Dutch street railway in Haarlem, equip and build other lines, and to install electric motive power—a company in which J. G. White & Company was interested. In 1905 the latter American firm was also building electrical projects in England, Ireland, Mexico, and South America.[28]

[26] Jan. 2, 1872, p. 104.
[27] The *Chronicle*, Mar. 14, 1903, p. 593.
[28] The same, Feb. 7, 1903, p. 331; June 10, 1905, p. 2399.

By 1903 interests closely associated with Westinghouse were in control of the Mexican Traction Co. By 1905 the Western Electric Co. probably had acquired an interest in the Mexican Telephone and Telegraph Co., for the latter then held a monopoly on the use in Mexico of all telephone apparatus manufactured by the American company. The president of the General Electric Co. in 1907 was on the board of directors of the Guanajuato Power & Electric Co., a company rapidly expanding its facilities in that Mexican mining district.[29]

With the increase of American political and financial influence in the Caribbean states, nearly all the new utility investments for the first quarter of this century were directed into those countries. In Mexico, new power projects, backed by Americans, were springing up in the important industrial and mining centers. In Central America the United Fruit Co. was interested in smaller developments.[30] Cuba proved as fertile a place for electric development as it was for sugar and rails. For example, in 1907, an American acquired control, from some Canadians, of the Havana Electric Railway,[31] a bankrupt and run-down company whose stock was selling for 11 dollars a share. After absorbing other lines and expanding its plant, the company was completely reorganized by 1925, and its stock was then selling at 240 dollars a share.[32]

Until the late twenties there were few American utility investments in South America. In 1882 an enter-

[29] The same, July 18, 1903, p. 147; Nov. 4, 1905, p. 1378; Sept. 28, 1907, p. 796.

[30] U. S. Dept. of Commerce, *Railways of Central America and the West Indies*, p. 21.

[31] This company was first organized by an American group in 1899 with an authorized capital of 5 million dollars.

[32] Leland H. Jenks, *Our Cuban Colony* (1928), pp. 170-72; the *Chronicle*, Mar. 26, 1903, p. 705; Mar. 16, 1912, p. 767.

prising New Englander loaded the equipment necessary for a street railway onto mules and packed it over the mountains in Colombia to Bogota, where he organized the Bogota Street Railway. However, this was purchased by the city in 1910 when the public was showing its disapproval of the concession and was boycotting the railway. In the pre-war period Americans were also interested in the Lima Urban Railway in Peru, the Concepcion Electric Co. in Chile,[33] and a few other small properties.

Since the early 1920's the stream of American capital for foreign utilities has grown to a flood, overflowing into nearly every corner of the globe. For the most part, this abundance of investment capital has been used to acquire existing properties for purposes of modernization and expansion of facilities. For example, when the International Telephone & Telegraph Co. acquired the government telephone company in Spain in 1924, there were but 90,000 phones in the country. At the end of 1931, it was reported that the number of phones in service had been increased to 240,000. In 1931, in return for a loan to Rumania for agricultural development, an American company obtained a national concession which called for modernizing and extending the country's telephone system.[34]

In many cases foreign properties were acquired with seeming disregard for the rate of return on the investment. When the British-controlled United River Plate Telephone Co., Ltd., was bought up by International Telephone & Telegraph in 1928, it was paying its British shareholders 8 per cent dividends, but the same amount

[33] The *Chronicle*, June 29, 1907, p. 1551; July 7, 1907, p. 159; Dec. 31, 1910, p. 1765; June 7, 1913, p. 1632.

[34] The same, Apr. 5, 1930, p. 2320; Jan. 9, 1932, p. 325.

paid to its new owners would net them only 2.7 per cent on the purchase price.[35]

With the growth of the electrical industry, the investment in foreign utilities has been handled largely by holding companies closely allied with manufacturers of electrical equipment. In fact, two holding companies account for about 75 per cent of such investments at the present time: American & Foreign Power Co. (a subsidiary of Electric Bond & Share Co.) and International Telephone & Telegraph Co.

The Electric Bond and Share Co.—a General Electric subsidiary, incorporated in 1905 to finance electric power developments of all kinds—probably acquired interests in foreign utilities at an early date. In 1915, for example, it was negotiating for the purchase of the Camaguey Co., Ltd.,—a Cuban company which was finally acquired in the early twenties.[36] In 1923 Electric Bond and Share organized the American and Foreign Power Company, Inc., to hold its foreign properties, which were located in Cuba, Guatemala, and Panama, and valued at approximately 60 million dollars. By 1935 this subsidiary owned utilities in eleven Latin-American countries and China, valued at more than one-half billion dollars.

The International Telephone and Telegraph Co. started in 1920 with a telephone company in Porto Rico and one in Cuba. With the aid of financial support from J. P. Morgan & Co., it has bought up many properties—in Spain, Rumania, Turkey, China, and various Latin-American countries—and has developed a far-flung network of communication lines. Its manufacturing subsidiaries as a group form one of the strongest competitors in the European equipment market.

[35] Max Winkler, *Investments of United States Capital in Latin America* (1929), p. 70.

[36] The *Chronicle*, June 26, 1915, p. 2166.

This company has consistently endeavored to minimize the risks involved in investing abroad. In the concessions obtained in Spain and other countries a provision has been inserted which enables it to offset currency depreciation by rate revisions which will net a stated return on the gold-dollar cost of the investment. Recently it has followed the policy of reducing its investment in any one country—without relinquishing control. It has accomplished this through sales of securities in the foreign countries concerned, using the proceeds to reimburse itself for development expenditures.[37]

The flow of American capital into foreign public utility enterprises has steadily increased since the turn of the century, with a tremendous acceleration in most recent years. In 1897 some 20 million dollars represented this type of investment, most of which was in cables. By the end of 1924 this had increased to nearly a quarter of a billion dollars, the Philippines and the Caribbean countries, including Mexico, accounting for approximately 84 per cent of the growth. In the short space of five years, 1925 through 1929, the American investment had grown to a little over one billion dollars. Of this later investment, about 85 per cent was placed in Europe, Canada, and South America; less than 9 per cent in the countries around the Gulf and the Caribbean; and the rest principally in India and China. By 1935 this total had increased to almost 1.1 billion dollars.

Since 1935, political and social changes have resulted in the loss of control of some investments and in the reduction in the value of some others. In 1936 American and Foreign Power suffered some loss of control over a few of its properties when its Chilean subsidiaries were

[37] *Fortune*, December 1930, pp. 42, 123.

placed under control of an eleven-member board of directors, seven of whom are required to be Chileans.[38] During the same year the Utilities Power and Light Corporation sold its investment in Great Britain to a British group for about 32 million dollars. The unrecognized state of war in Spain and in China has resulted in damages to American-controlled utilities, principally in Madrid and Shanghai.

## MISCELLANEOUS INVESTMENTS

A group of miscellaneous enterprises completes the list of America's foreign direct investments. It includes merchandising concerns, motion picture investments and theaters in all parts of the world, hotels and amusements in Canada and Cuba, Canadian fishing, grain elevators in Canada, real estate, advertising, engineering, education, and other investments in many countries.

A large share of the merchandising investment is represented by subsidiaries of F. W. Woolworth Company. The British subsidiary was established as a "private" company in 1910 with an initial outlay of $63,000, and expanded entirely from re-invested earnings. New Articles of Association were adopted in 1931 which provided for a public issue of shares, the parent company receiving 27 million dollars in cash from undistributed earnings, and 52 per cent of the new ordinary shares. In 1935 this controlling interest was carried on the books of the American company at 30 million dollars, while its market value was in excess of 225 million dollars. Meantime, the company's investment in its

[38] This is in accordance with an agreement with the government under which the company was exonerated from the payment of a fine for alleged violations of the country's exchange laws, from 1932 to 1935.

German subsidiary had increased more than four-fold in less than twenty years and subsidiaries had been established in Canada, Cuba, and France.[39]

The investment in theaters dates back to around 1910 when the controlling interest in some Canadian vaudeville houses was bought by an American group.[40] Until the late twenties, the rapidly growing motion picture industry had depended largely on foreign exchanges and agencies for the distribution of films abroad. During the last ten years the larger companies have acquired or developed chains of theaters in Canada, Great Britain, and Australia, and other theaters in various metropolitan centers in Latin America, Europe, and the Far East. From 3.5 million dollars in 1914, this type of investment had grown to more than 40 millions by 1929, with a considerable increase since then.

Taken as a whole this group of miscellaneous enterprises expanded from a few million dollars in 1897 to 282 millions in 1929, and in 1935 amounted to about 310 million dollars. The expansion during the latter period was principally in merchandising and motion pictures, with other investments remaining at about the 1929 level.

A recapitulation of the summary statements given in Chapters IX-XV shows that American-controlled enterprises aggregated in value about 7.2 billion dollars in 1935. The distribution of this total, by types of enterprises and by geographic location was as follows:[41]

[39] *Poor's Industrials*, 1936, p. 492; the *Chronicle*, June 13, 1931, p. 4433; reports on file at the Securities and Exchange Commission. In 1935 the German investment stood at 7.4 million dollars.

[40] Fred W. Field, *Capital Investments in Canada* (1914), p. 25.

[41] These figures are from App. D, pp. 605-06.

| Type of Enterprise | Millions of Dollars |
|---|---|
| Sales and purchasing | 345 |
| Banking | 125 |
| Oil distribution | 509 |
| Oil production | 873 |
| Mining | 1,218 |
| Agriculture | 587 |
| Manufacturing | 1,870 |
| Railways | 260 |
| Public utilities | 1,088 |
| All others | 345 |
| Total | 7,220 |

| Geographic Location | Millions of Dollars |
|---|---|
| Europe | 1,395 |
| Canada and Newfoundland | 1,692 |
| Cuba and other West Indies | 766 |
| Mexico | 655 |
| Central America | 162 |
| South America | 1,758 |
| Africa | 125 |
| Asia | 507 |
| Australia and New Zealand | 160 |
| Total | 7,220 |

This large total has been built up partly through the "export of capital" from the United States. That is, it represents in part the investment of new money by Americans. In large part, however, it represents subsidies given by foreign governments in connection with concessions to American enterprises, the unearned increment in the value of real estate, appreciation in the value of other properties, and re-investment of foreign earnings. It compares with a 635 million dollar total for 1897, 2.7 billions for 1914, and 7.6 billions for 1929.

# CHAPTER XVI

# PRE-WAR PURCHASES OF FOREIGN SECURITIES

American capital has been placed abroad in two ways: (1) through direct investments in American-controlled commercial and industrial ventures located abroad; (2) through purchase of the securities of foreign governments and foreign-controlled corporations. The direct investments have been the subject of discussion in Chapters IX to XV. The security holdings, commonly called portfolio investments, are to be considered in Chapters XVI to XIX. They include foreign securities, whether such securities have been publicly issued in the United States or privately purchased from the foreign issuer.[1] The beginnings of the American portfolio antedate the American Revolution, for some of the wealthier colonists had substantial holdings of foreign securities, particularly those of the mother country. Public offerings in the American market came much later.

## BEFORE 1900

The flotation of foreign loans offers large profits for the banking houses handling the issues. It is not surprising, therefore, that following the Napoleonic wars, when British bankers were providing funds for borrowers all over the world, Americans were ambitious to have a share in this "trade." Their attempts at marketing loans for the governments of Chile, Rio de la Plata, and Mexico in this period were unsuccessful, but apparently were not thought to be outside the realm of possibility. In

[1] By definition market purchases should also be included, but in the figures that we have compiled they are omitted for all except the pre-war years.

1833, for example, when told of the Mexican government's tentative plan for seeking a loan in the United States, the American Secretary of State indicated that the loan would be difficult to handle, not because funds were lacking but because Mexico's debt history would not recommend the bonds to American capitalists.[2] With this discouraging statement of opinion, the incident seems to have been closed and the project abandoned.

Into the three decades that followed were crowded two panics, two wars, many miles of railway building at home, and the acquisition of some mining, agricultural, and railway properties abroad. If the public flotation of foreign securities is also a part of the history of these years, we have no record of the fact. In 1865, however, while Maximilian was obtaining small amounts of money in Europe for his Mexican Empire, Juárez was endeavoring to borrow in the United States for support of the Mexican republic. One of Juárez's generals, Sanchez Ochoa, went to California where he engaged a San Francisco capitalist to act as agent for an issue of 10 million pesos and obtained an advance of $30,000 in cash. Another, General Carbajal, contracted with New York bankers for a loan of 30 million pesos in that market, of which only 2,925,450 pesos had been disposed of by August 8, 1867. The bankers sold only 9,000 pesos of the bonds for cash for the Juárez government, at 60 per cent of the face value of the bonds. Of the large amount remaining they gave a little more than 1.9 million pesos of the bonds for purchase and shipment to Mexico of war materials. They retained another million pesos of the bonds for commission and expenditures, selling these later for their own account.[3]

[2] Edgar Turlington, *Mexico and Her Foreign Creditors* (1930), p. 65.
[3] The same, pp. 9, 164, 187. Ochoa went to New York with his loan

In the 1860's Dabney, Morgan & Co. floated a Peruvian loan on which repayments were begun in 1871, and all of which seems to have been retired long before the close of the century.[4] In 1872, while the treaty with Japan was being negotiated, a 15 million dollar loan was also under consideration. It was suggested by the American Secretary of State that Jay Cooke might be able to handle this loan, and the question probably was discussed when the Japanese delegation visited at Cooke's home. But Cooke was interested in getting foreign funds for American enterprises rather than in sending American funds abroad. At the time he was deeply involved in Northern Pacific financing, and when the Japanese loan was floated the following year it was handled by European bankers, without American participation.[5]

Rumors of a 10 million dollar American loan to Mexico in 1883 proved to be nothing but rumors. In 1890, negotiations between the Mexican government and New York capitalists for a loan of 30 million pesos ended with the flotation of the issue by a group of German, British, Dutch, and French bankers, with no American participation.[6] This was in September, two months before the Baring Brothers' crash, and some two and a half years before the panic of 1893. After 1896, the concurrence of various circumstances gave America a period of some half dozen years of extraordinary prosperity during

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at about the time the Carbajal bonds were ready for sale, but agreed to hold it off the market. Part of the Carbajal loan was redeemed by auction purchases after 1883 at prices far below par. The rest was taken at par in payment of import duties. The same, pp. 190, 195.

[4] Lewis Corey, *The House of Morgan* (1930), p. 88n.

[5] Ellis P. Oberholtzer, *Jay Cooke* (1907), Vol. II, p. 457.

[6] Turlington, *Mexico and Her Foreign Creditors*, pp. 198, 217. This loan was issued for the purpose of redeeming rights to certain customs duties given to various railways in lieu of cash subsidies.

which American bankers floated a number of loans for Mexico.

The Mexican state of Jalisco obtained funds in New York for enlarging the waterworks and sewerage systems and public buildings in the city of Guadalajara, selling a 1.5 million dollar issue in 1898. A St. Louis house floated a $235,000 loan in 1899 for the city of Saltillo. In April of the same year, American bankers negotiated for the privilege of handling the whole of the Mexican government's conversion issue of a little more than 110 million dollars, but in this case they were disappointed. Unwilling to alienate the European creditors of the government the Minister of Finance took this contract to Europe. When it was signed early in July, German bankers were allotted 67 per cent of the total. The House of Morgan in London and New York was given a 27 per cent interest, and it is said that of this amount about 25 million dollars were taken in New York.[7]

Canadian loans probably were offered in the American market as early as those from any other foreign source. The earliest one of which we have a record, however, is the 3 million dollar Province of Quebec loan taken in New York in 1879. The following year St. Paul took a small block of Winnipeg debentures. A Montreal-New York syndicate in 1881 handled the Canadian Pacific Railway's first bond offering, amounting to 10 million dollars, and the first stock publicly offered by the company was taken in New York and Amsterdam. By this time Americans had acquired almost 20 per cent of the stock of the Great Western Railroad. The next year the North West Land Company placed a million dollar stock issue in New York. In 1887 Premier Nor-

[7] The same, p. 226; various numbers of *Kimber's Record of Government Debts.* The *Chronicle*, Jan. 5, 1901, p. 8.

quay of Manitoba went to New York to finance the Red River Valley Railway; but in this case no capital was to be had.

Some Canadian bonds payable in London, Canada, and the United States were also issued during these years. Whether or not any were taken in the United States is not certain, but at least they represent bids for American funds. Among these appears a million dollar issue for Winnipeg in 1882, $20,000 for Brandon in 1883, and $525,000 for Queen Victoria Niagara Falls Park in 1887.[8] In 1899 the city of Montreal sold a 3 million dollar bond issue in the United States; and the Hamilton Electric Light and Cataract Power Company three-quarters of a million. It is possible that a systematic search of the records would show other Canadian loans taken in the United States, particularly in the late nineties.

At the turn of the century the bonds of a number of other countries were acquired. Chinese government securities amounting to 2.2 million dollars were taken in the United States in 1899 in connection with the contract of the American China Development Company to build a railway from Hankow to Canton. That contract was cancelled in 1905, but the bonds remained in American hands until retired by a new loan in 1911.[9] European securities held by Americans at the close of 1899 were estimated the following year at 15 million dollars. This figure specifically includes market purchases of London Underground securities (two years before J. S. Morgan & Co. secured control of that utility company), New England investments in English consols, and some

[8] Herbert Marshall, Frank A. Southard, Jr., and Kenneth W. Taylor, *Canadian-American Industry* (1936), pp. 16, 114, 125n, 194. J. M. Gibbon, *Steel of Empire* (1935), p. 320.

[9] Carl F. Remer, *Foreign Investments in China* (1933), p. 259.

Swiss bonds sold in New York in 1899.[10] American purchases of Cuban government bonds of 1896-97 have been estimated at about 2 million dollars.[11]

Russia made several bids for American capital during the closing decade of the nineteenth century. Two loans issued by British bankers in 1889, one in rubles and one in sterling, were both made payable in dollars in New York, at fixed rates of exchange. The same provision was carried in the several ruble issues sold in 1890, 1891, 1893, 1894, and 1896, and in the sterling loans of 1891 and 1894, without attracting much attention from the American public or American bankers. Finally in 1902 the rentes of 1894 were listed on the New York Stock Exchange, and the Czar presented that institution with a handsome silver vase in acknowledgment of the favor. Still the bonds did not sell.[12] When they were removed from the "board" in 1921, not one of them had ever been sold on the Exchange. It is possible that some eventually were taken in New York, probably during the period of ruble-speculation following the Revolution, for in 1929 an American bondholders' committee was undertaking to collect information concerning them, but such transactions are part of another story.[13] Other poten-

[10] *Yale Review*, November 1900, pp. 274-75. In this estimate Bacon seems to take account of portfolio investments alone, with nothing included for the direct investments of such companies as Standard Oil, Singer Sewing Machine, American Radiator, and others mentioned in preceding chapters.

[11] Leland H. Jenks, *Our Cuban Colony* (1928), p. 163.

[12] In 1905, Charles R. Flint, in an audience with the Czar, said that industrial leaders in the United States were interested in knowing Russia's policy toward American participation in the development of Russian resources. The answer he received was favorable, but when it was proposed that some 20 million dollars would be spent in Russia if mining concessions could be obtained, the Imperial Cabinet, in charge of the imperial domains, announced that their policy was "Russia for the Russians," and refused the grant. Charles R. Flint, *Memories of an Active Life* (1923), pp. 209, 220.

[13] *Kimber's Record of Government Debts*, various years; the *Chronicle*,

tial borrowers probably found American capital cool to their inquiries for loans during these years, and others doubtless obtained loans of which we have no information.

### FROM 1900 TO THE END OF 1914[14]

In the first year of the new century events occurred that set Wall Street dreaming of the "not far distant day" when New York should be the "money center of the world." War between Great Britain and the Transvaal Republic was declared on October 1899. In March 1900 New York took 12 million dollars of the ten-year war loan offered by the British government and five months later took 28 million dollars of the three-year loan offered by the British Exchequer. In September, Kuhn, Loeb and the National City Bank negotiated a 20 million dollar issue of German government treasury notes, the greater part being taken in the United States. The National City Bank placed on sale a 10 million dollar Swedish loan, most of which was sold in the United States. In October, about 2 million dollars were loaned to the Free City of Hamburg. The following month a million was loaned to the city of Cologne,[15] about

Dec. 23, 1916, p. 2299, Aug. 16, 1902, p. 321. Alexander D. Noyes, *Forty Years of American Finance* (1909), p. 321.

[14] With a few exceptions the individual loans making up the totals for the years 1897-1913 discussed in this section are from Paul D. Dickens, *The Transition Period in American International Financing 1897 to 1914* (1933), an unpublished thesis on file in the library of the George Washington University, pp. 211-34; and for 1914, from Ralph A. Young, *Handbook of American Underwriting of Foreign Securities* (1930), pp. 58-59. Figures used in this section exclude the securities of American-controlled corporations operating abroad.

[15] The German loans were all made in marks. The entire Cologne issue was called Oct. 1, 1923 (*Kimber's Record of Government Debts*, 1923, p. 616). At that time German exchange was so low that the payment of one dollar would cover a debt of 14 million marks. Thirty cents sufficed for repayment of the entire mark loan that in 1900 had been valued at 1 million dollars.

$600,000 to the Northern Railway of Costa Rica, and through a Chicago bank a $300,000 loan was sold for the Province of Manitoba. Earlier in the year the state of Jalisco obtained another million dollars in New York for public works in Guadalajara, and a St. Louis house loaned three-fourths of a million to the state of Coahuila (Mexico). The New York Life Insurance Company took 10 million dollars of the Vladikavkas & Southeastern Railway of Russia bonds, and 15 millions more of the same issue were taken by a New York syndicate. "In addition," says the *Chronicle*, "various banking and brokerage houses offered from time to time large assortments of foreign state and municipal issues in small lots."[16]

The loans listed above total 100.6 million dollars. With allowance made for others probably omitted from the list and for market purchases, the increase in America's portfolio of foreign securities during the year must have been considerably more than 100 million dollars. This was, of course, a bagatelle in comparison with the domestic security issues currently taken by American investors, particularly in connection with the large industrial mergers of the day. The country was already talking in billions. The United States Steel Corporation, for example, when organized in February 1901 issued more than 1 billion dollars of stock, common and preferred, and 300 million of bonds, a very substantial part of which was sold in the market to procure work-

[16] Noyes, *Forty Years of American Finance*, p. 282. The *Chronicle*, Jan. 5, 1901, p. 8 summarizes the year's loan activities. The Jalisco loan is given there at 2.5 million dollars, but later information indicates that only 1 million was sold. The Coahuila loan, not included there, is described in *Kimber's Record of Government Debts*, 1923. Apparently the Russian railway bonds listed above were still outstanding in 1917 and were among those repudiated. The *Chronicle*, Feb. 4, 1928, p. 653.

ing capital.[17] For foreign financing, however, 100 million dollars was at that time a large figure, "highly gratifying to American pride."

In the five years that followed, 1901-05, the foreign securities floated by American bankers aggregated about 460 million dollars, the largest amount for any half decade prior to 1915. Great Britain was the principal borrower in the first three years of the period, the British government accounting for 97 million dollars of the 125 millions floated for all foreign borrowers in 1901, and for 24 millions of the 29 million total in 1902. The London Underground took 17 millions of the 28 million dollar total for 1903. During the rest of the period Japan was the principal borrower, obtaining funds in New York for financing the war with Russia, February 1904-August 1905. In 1904 Japan's war loans amounted to 54 million dollars of the 100 millions publicly offered in the United States, and in 1905 to almost 138 millions of the 145 million dollar total.[18] Taking the five years 1901-05 as a whole, British and Japanese borrowings combined (including loans for the London Underground) accounted for 340 millions of the 460 million dollars of foreign securities issued in the United States. The remaining 120 millions were distributed among borrowers from nine different countries: Canada 33.5 millions, of which 31.9 millions were for railways and other Canadian-controlled corporations; Germany 23.3 millions, divided among the imperial, municipal, and state governments; the Philip-

[17] The *Chronicle*, Mar. 2, 1901, p. 441; Noyes, *Forty Years of American Finance*, p. 299.

[18] In addition to the loans obtained in the United States, Japan borrowed 54 million dollars in London in 1904 (Noyes, *Forty Years of American Finance*, p. 321), and 266 million dollars in London and continental markets in 1905 (*Kimber's Record of Government Debts*, 1921).

pines 18.7 millions; Mexico 17.8 millions, for the national, municipal, and state governments; Cuba 15 millions; Vladikavkas & Southeastern Railway of Russia 4 millions; and the remainder in small loans to Costa Rica, Nicaragua, Vienna, and Copenhagen.

The work of the "international bankers" in making funds available for foreign borrowers met with the enthusiastic approval of the government. In fact, there was active government cooperation in the negotiation of many loan contracts during the early years of foreign lending. It was with pride in their joint accomplishment that Mr. John Hay, secretary of state, exclaimed in 1902: "The 'debtor nation' has become the chief creditor nation. The financial center of the world, which required thousands of years to journey from the Euphrates to the Thames and Seine, seems passing to the Hudson between daybreak and dark."[19]

Such support, which with some minor exceptions was continued throughout the pre-war period, was given in the belief that foreign lending would furnish a solution to certain difficult problems of foreign policy. Of primary importance was the need for opening new markets for American manufactures, a problem that was increasingly difficult with the growth of American industry. Second there was the purely political question of possible European intervention in the affairs of Caribbean and Central American states whose loans were principally in the hands of European capitalists. With such loans replaced by new American issues, this threat to American security would be removed.

In the 1880's, unsuccessful attempts had been made to employ the Pan American movement as an agency for expanding American sales in Latin America. In 1898

[19] 57 Cong. 1 sess., *Congressional Record*, p. 2201.

retention of the Philippines was favored because they afforded a basis for trade with all of the Orient. In particular they were advantageously near to China where the activities of European governments and bankers were threatening extinction of American trade. At the same time, loans to China and the Philippines, and to other potential markets for American manufactures, were given a place in American commercial policy.

When cancellation of the American-China Development Company's contract was under consideration in 1904, the United States obtained a promise from the Chinese government that Americans would be included in future syndicates handling loans for that country. Manufacturers of cotton goods were gratified by the prospect of clothing China's millions when foreign loans had provided the necessary buying power. The iron and steel industry was attracted by the possibilities offered by railway loans. It was with considerable dismay, therefore, that word was received in 1909 concerning the Hukuang Railway loan then about to be consummated without American participation. In this emergency, President Taft resorted to the unusual step of sending a telegram to Prince Chun, regent of the Chinese Empire. The exclusion of Americans from the banking group was avoided, but it was too late to obtain provision for "equal opportunity," of employment for American materials and engineers in the building of the road.[20]

On two notable occasions, foreign loans were opposed —not encouraged—by the American government. In 1911, when the old Manchu government was request-

[20] Benjamin H. Williams, *Economic Foreign Policy of the United States* (1929), p. 46; Herbert Croly, *Willard Straight* (1925), pp. 293-94.

ing a loan to put down the revolution then under way in China, the American Secretary of State took the position that such a loan would be in violation of American neutrality, and loan negotiations were dropped. In 1913, when an international consortium, including American bankers, had arranged a loan for China, President Wilson disapproved of the tax pledges required from China, and the American bankers withdrew from the consortium.[21]

Loans to South American governments were, for the most part, the monopoly of European bankers but a few were placed in New York. The United States Minister to Bolivia was instrumental in securing a Bolivian railway loan contract for American bankers in 1906, and W. R. Grace & Co., saw to it that American materials were used.[22] Loans for Sao Paulo, the largest coffee-growing state of Brazil, were also taken by American bankers in 1906, to provide funds for "coffee valorization" at a time when European creditors were threatening to foreclose their coffee plantation mortgages. These particular loans, however, proved somewhat of a boomerang to trade, for five years later a congressional investigation into the loan and the effects of valorization on coffee prices in the United States stirred up considerable ill will in both countries.[23]

Efforts at refunding British loans in Central America met with opposition from the prospective borrowers as well as from the British, and loans floated for governments in the West Indies, particularly Cuba, found a better welcome in European markets than in New

[21] Remer, *Foreign Investments in China*, p. 129, and Williams, *Economic Foreign Policy of the United States*, pp. 84-85.

[22] Max Winkler, *Foreign Bonds, an Autopsy* (1933), p. 57; Margaret A. Marsh, *The Bankers in Bolivia* (1928), p. 73.

[23] Williams, *Economic Foreign Policy of the United States*, pp. 400-01.

York.[24] There was a proposed loan of 15 million dollars to Nicaragua, decidedly unpopular in Nicaragua, which the American Secretary of State urged upon American bankers in 1910 to refund a British loan of the year before. This failed when the United States Senate refused to ratify a treaty between the two countries carrying provisions for safeguarding payments on the loan. Thereupon, the bankers arranged a much smaller issue (1.5 million dollars), with supervision over customs collections granted by Nicaragua as security.

A loan proposed for refunding the debt of Honduras met with defeat in the Honduran Congress in 1911. A little later, overtures for a loan to Guatemala, then in default on debts to the British, were cut short by the arrival of a British warship which summarily persuaded the debtor government to resume payment. Through the intervention of the American Secretary of State, American bankers secured 8,000 of the 40,000 shares of the National Bank of the Republic of Haiti, when that institution was reorganized in 1910, but no loans were floated for the "black republic" until several years after the war.[25]

In 1908, Liberia, fearing British domination, asked for American assistance. After an investigation, the American Secretary of State suggested that certain American and European bankers should arrange a loan for Liberia. When the bonds were issued in 1913, the greater part of them was given directly to creditors

[24] Jenks, *Our Cuban Colony*, p. 164.

[25] Williams, *Economic Foreign Policy of the United States*, pp. 53-55. Participation in the ownership of the Bank of Haiti was considered important since the treasury used the bank as a repository for all governmental revenues and an agency through which disbursements were made on treasury orders. In 1917, acting upon the urgent advice of the State Department, the bankers purchased complete control of the bank.

in payment of claims. Of the $1,558,000 delivered to the bankers, only $158,000 were taken in the United States.[26]

As events thus proved, American commercial policy really played only a minor role in determining where American funds should go before the War. In the five years 1901-05, as we have seen, war loans to the British and Japanese governments accounted for 313 million dollars, and all other loans only 147 millions. In the succeeding nine years, 1906-14, the principal borrower in the American market proved to be our neighbor on the north. Of the 442 million dollar total loaned during this period, 153 millions were for Canadian municipal and provincial governments, railways, and other corporations—excluding American-controlled corporations in Canada. Mexico took 77 million dollars, almost 50 millions of which were for railways. Loans to all other Latin American borrowers amounted to 90 million dollars. Europe borrowed 51 millions of which 23.5 millions went to Austria and Germany, all prior to 1913, and 10 millions to France, in December 1914. In the Orient, Japan took 46 millions, most of it in 1907 when the country still suffered from the effects of the Russo-Japanese war and the world was in depression. The Philippines took 17.8 millions; and China 7.3.

## THE 1914 PORTFOLIO SUMMARIZED

The American portfolio at the close of 1914 included foreign securities of three sorts. Of principal importance were the bonds and shares publicly issued in the American market after 1896, though these had been reduced by repayments at maturity dates and by foreign pur-

[26] Raymond L. Buell, *The Native Problem in Africa* (1928), Vol. II, pp. 801-05.

chases. Second, there were considerable amounts of Mexican railway bonds and preferred stock turned over to Americans in exchange for former direct investments in Mexican rails. Finally, there were the foreign securities owned prior to 1897 and those privately purchased in foreign markets.

The aggregate par value of American participation in foreign securities publicly issued in the United States during the 18 years 1897-1914 was about 1,036 million dollars.[27] Maturities during the period amounted to 288 millions, leaving some 748 millions outstanding at the close of 1914. A geographic distribution of these totals is given on page 347. There is no record of the amounts repurchased by foreigners during the period, but such purchases were thought to be large. Perhaps as much as two-thirds of the British securities still outstanding in 1914, one-half of the German, and perhaps one-half of the Japanese, were thus taken by foreigners, leaving some 565 millions in American hands.

American investments in Mexican rails were direct and not portfolio in character, until the Mexican government took over control of the Mexican Central and the National Railroad of Mexico and organized the National Railways of Mexico. With the shift in ownership, Americans received new Mexican railway securities in exchange for their interests in the roads formerly under American control. These new securities automatically became part of the American portfolio. Going into the reorganization with securities nominally valued at about 180 million dollars, the Americans emerged with their holdings increased to 197 millions—including

[27] These include some large blocks sold privately; for example, the 10 million dollar purchase of Vladikavkas & Southeastern Railway bonds by the New York Life Insurance Company in 1900.

Foreign Securities Sold in the United States, 1897–1914
(In millions of dollars)

| Geographic Distributions | American Participation 1897–1914 | | Outstanding Dec. 31, 1914 (Approximate) | |
|---|---|---|---|---|
| Europe: | | | | |
| Austria | 13.0 | | 0.5 | |
| Denmark | 0.3 | | 0.3 | |
| France | 10.0 | | 10.0 | |
| Germany | 57.3 | | 23.1 | |
| Great Britain | 189.8 | | 121.6 | |
| Greece | 3.0 | | 3.0 | |
| Hungary | 5.0 | | — | |
| Norway | 3.0 | | 3.0 | |
| Russia | 29.0 | | 29.0 | |
| Sweden | 15.0 | 325.4 | 5.0 | 195.5 |
| Canada | | 190.8 | | 178.8 |
| Cuba and West Indies: | | | | |
| Cuba | 35.0 | | 35.0 | |
| Dominican Republic | 13.5 | | 4.6 | |
| Haiti | 0.4 | 48.9 | 0.4 | 40.0 |
| Mexico and Central America: | | | | |
| Mexico | 123.1 | | 69.7 | |
| Costa Rica | 2.1 | | 2.1 | |
| Nicaragua | 3.5 | | — | |
| Panama | 1.5 | 130.2 | 1.5 | 73.3 |
| South America: | | | | |
| Argentina | 25.7 | | 25.7 | |
| Bolivia | 8.2 | | 8.2 | |
| Brazil | 20.7 | | 6.1 | |
| Chile | 0.6 | | 0.6 | |
| Peru | 2.0 | 57.2 | 2.0 | 42.6 |
| Asia: | | | | |
| China | 9.5 | | 7.3 | |
| Japan | 237.3 | | 183.8 | |
| Philippine Islands | 36.4 | 283.2 | 26.3 | 217.4 |
| Africa: | | | | |
| Liberia | | 0.2 | | 0.2 |
| Total | | 1,035.9 | | 747.7 |

some issues of the absorbed roads guaranteed by the Mexican government and not disturbed by the reorganization proceedings. This figure must be added to other portfolio investments in arriving at the 1914 total.[28]

Of the foreign securities acquired before 1897 and those privately purchased in foreign markets during the eighteen years 1897-1914, there probably remained in the portfolio at the close of 1914, well over 100 million dollars. Holdings of European bonds, privately purchased, were estimated in 1899 at 15 million dollars, and the portfolio in 1897 probably contained more than 15 millions of Canadian municipal and other issues.[29] Concerning holdings of Canadian Pacific Railway stock we have fairly definite information. In 1913 they amounted to about 29 million dollars, and in 1915 to 26 millions.[30] The figure for the close of 1914 may be taken as roughly 27.5 million dollars, of which some 8.5 millions have not been included among the public issues summarized on page 347. Canadian municipal bonds privately taken during the eight years 1905-13 have been estimated at 35 million dollars, and other Canadian issues at 38 millions.[31] Of the Cuban bonds issued in London and Amsterdam in 1904, some 10 to

[28] Of the 197 million total, 92 millions were in bonds and 105 millions in preferred stock. See also pp. 316-17 and 602. American purchases of Mexican railway securities publicly issued in the United States, 1907-14, amounted to 49 million dollars. With maturities of 19 millions deducted, the amount outstanding at the close of 1914 was 30 millions. Total portfolio holdings of Mexican railways thus amounted to 197 millions of "exchange securities" plus 30 millions publicly issued, or 227 millions, at the close of 1914.

[29] See pp. 335-36 above.

[30] Fred W. Field, *Capital Investments in Canada* (1914), p. 125; Marshall, Southard, and Taylor, *Canadian-American Industry*, p. 194.

[31] Jacob Viner, *Canada's Balance of International Indebtedness 1900-1913* (1924), pp. 127-28. This summarizes estimates from various sources and makes a 20 million dollar allowance for unidentified transactions.

20 millions were probably acquired by Americans, in addition to the 15 millions originally taken here.[32]

The three classes of foreign securities making up the American portfolio at the close of 1914 have now been estimated as follows,[33] in millions of dollars:

| | |
|---|---|
| Securities publicly issued in the United States and still in American hands . . . | 565 |
| Mexican railway securities acquired in exchange for former direct investments . . . | 197 |
| Remnants of the pre-1897 portfolio, plus net new private purchases abroad . . . . . . | 100 or more |
| Total . . . . . . . . . . . . . . . . . . . . | 862 or more |

It may be, of course, that the reduction of American holdings through foreign repurchases was somewhat greater than the estimated 183 millions allowed for on page 346 above. This probably is fully offset by the fact that no allowance has been made for public issues overlooked in the compilation of our data, and by the conservative estimate given for the remnants of the pre-1897 portfolio and later private purchases.

On the whole it may be said with some confidence that American holdings of the securities of foreign governments and of foreign-controlled corporations at the close of 1914 amounted to some 850 million dollars or more. In addition there was an unknown amount of short-term commercial credit, a single bank credit to Russia in October 1914 accounting for 5 million dollars.[34] These

[32] Jenks, *Our Cuban Colony*, p. 163.

[33] At the outbreak of the War in August 1914, these holdings were somewhat smaller, for American participation in foreign issues in the United States during the last five months of 1914 amounted to 36.9 million dollars.

[34] Harvey E. Fisk, *The Inter-Ally Debts* (1924), p. 145. Some American railway companies habitually kept balances in London banks, and other American firms undoubtedly had deposits abroad and accounts receivable from foreign customers.

are small figures in comparison with the holdings of the principal creditor countries, and also very small in comparison with the American portfolio of a decade or two later.

## CHAPTER XVII

# WAR AND RECONSTRUCTION LOANS (1915-24)

Soon after the outbreak of the World War, the belligerent nations of Europe began borrowing in the United States to help finance their purchases of war materials. They borrowed from American bankers and the American public until the United States declared war, April 6, 1917. Thereafter they obtained funds directly from the United States government, until government lending practically came to an end in 1920. By 1919 American financing of foreign borrowers was back in the hands of private agencies, but it was 1921 before any great volume of lending developed.

During the four years 1921-24, large issues of reconstruction loans were sold in the American market—to repair shattered financial systems as well as damaged mines, factories, and other physical properties. Among these was the stabilization loan for Germany, arranged by American and foreign bankers in October 1924. Meantime, the United States government had concluded funding agreements with some of the principal debtor governments and was urging others to arrange for the funding of their debts.

### THE FOREIGN PORTFOLIO, 1915-APRIL 1917

In 1915, for the first time, commodity exports from the United States exceeded imports by more than 1 billion dollars. In 1916 the excess amounted to more than 3 billions. Imports in 1916 were one-third greater than in 1915; exports were 53 per cent greater. The figures

(in billions of dollars) compare with those for immediately preceding years as follows:

| Calendar Years | Exports | Imports | Net |
|---|---|---|---|
| 1913 | 2.5 | 1.8 | 0.7 |
| 1914 | 2.1 | 1.8 | 0.3 |
| 1915 | 3.6 | 1.8 | 1.8 |
| 1916 | 5.5 | 2.4 | 3.1 |

The great expansion of exports resulted from the enormous war orders received from Europe. In fact, during the three years ending June 30, 1917, the firm of J. P. Morgan alone, acting as agent for the governments of Great Britain and France, shipped to them goods valued at 3.1 billion dollars, or about 29 per cent of American exports to all countries.[1] During these three years shipments of wheat to the allied countries were 6.8 times as great in value as during the three pre-war years ending June 30, 1913. Wheat flour shipments were twice as great; meat shipments, 2.4 times; sugar, 33.8 times; and zinc, 37 times.[2]

Orders for arms and ammunition were very large. A single contract which the British government placed with the American Locomotive Company in April 1915 called for 63.7 million dollars of shells. Another, for ammunition, placed with Bethlehem Steel the same month, amounted to 83.2 million dollars, followed three months later by a 64 million dollar contract with the same company, and in September 1916 by a 96.4 million dollar contract for nitrocellulose powder placed with du Pont. During a period of less than two months near the end of 1915 the French government placed an 18.1 million dollar contract with Semet-Solvay for picric acid; 16

[1] 74 Cong. 2 sess., *Munitions Industry*, Hearings on S. res. 206 before Senate Special Committee Investigating the Munitions Industry (1937), Part 26, p. 8098.

[2] The same, p. 7934. These increases in value terms reflect price rises as well as increases in the volume of exports.

millions with du Pont for nitrocellulose powder; 21.4 millions with Mass & Waldstein for gun cotton; and 26.6 millions with Midvale Steel for shells. Many other British and French contracts, large and small, were placed with these and other firms. The Russian government in 1915 placed a 40 million dollar order for shells with the Eddystone Ammunition Corporation, and for 3 million rifles with Remington Arms. In September 1916, the allies jointly contracted for 448 million pounds of electrolytic copper to be delivered over the first six months of 1917, the whole order amounting to about 120 million dollars, and representing one-third of the total copper production of the United States for six months.[3] As purchases mounted so did allied borrowing in the United States.

During the first few months of the War extensions of credit to the belligerents were frowned upon by the State Department. Secretary Bryan, in August 1914, announced that "in the judgment of this government loans by American bankers to any foreign nation which is at war are inconsistent with the true spirit of neutrality." Thereupon J. P. Morgan & Co. informed intermediaries of the French government that tentative plans for a 100 million dollar loan to France would have to be dropped.[4] In succeeding months, however, this attitude on the part of the government underwent gradual modification. In October, when the National City Bank extended a 5 million dollar loan to Russia and a 10 million dollar loan to France, the transactions were interpreted as credits extended in connection with legitimate trade,[5] and not in conflict with the neutrality ruling—since the

[3] The same, pp. 7941-8090. The *Commercial and Financial Chronicle*, Sept. 23, 1916, p. 1120; Sept. 30, 1916, p. 1212.

[4] *Munitions* Hearings, Part 30, pp. 9644-45.

[5] The same, Part 25, p. 7519.

foreign government treasury notes thus acquired were held by banks and no public issue of foreign securities was involved. In February 1915, or about a month after concluding an agreement to act as the American purchasing agents for the British government, J. P. Morgan & Co. arranged an open credit against which they charged various payments made to American manufacturers and merchants on British account.[6] Late in March 1915, a 50 million dollar "credit" for the French government was publicly offered by Morgan. In this connection the newspapers published a statement by Secretary Bryan saying that the State Department had not felt justified in interposing objections to the "credit arrangements" brought to its attention.[7] After Mr. Bryan's resignation from the cabinet, June 8, 1915, the distinction between bank credits and loans was abandoned, and the following October the 500 million dollar Anglo-French "loan" was offered to the American public.

During the whole year 1915, foreign "dollar securities" sold to American investors, together with foreign short-term paper discounted with American banks, amounted to 789 million dollars in excess of such loans repaid during the year. In 1916 they amounted to 1,295 million dollars, and from January 1 to April 6, 1917, to 578 millions.[8] Among the borrowers were several making a first appearance in this market. For example, loans were placed here for the first time by an English

[6] The same, Part 29, pp. 9228, 9248. One of the Morgan partners went to London in November 1914, taking the initiative in arranging this agency agreement with the British. A similar arrangement was concluded with the French in the spring of 1915. Part 25, pp. 7484, 7488.

[7] The same, Part 26, pp. 7829-30; Part 30, p. 9650.

[8] These figures include the demand loan arranged by Morgan for the account of the British government, which at the end of 1915 had all been liquidated from the proceeds of the Anglo-French loan; at Dec. 31, 1916, stood at 232.7 million dollars; and on Apr. 5, 1917 at 345.5 millions. The same, Part 29, p. 9248; Part 33, pp. 10908-10.

municipality, London (Metropolitan Water Board); by the city of Paris, France; by an Australian corporation, Melbourne Electric Supply Co., Ltd.; and by a South American city, the city of Sao Paulo, Brazil.

Practically all of the loans of this period were short term in character—that is, for terms varying from sixty or ninety days to five years. Practically all were advanced to the allied governments or their nationals.[9] Germany and other Central European countries were cut off from the American commodity and financial markets by the blockade and by Britain's use of the black list against firms dealing with Germany. The share of Central Europe in this loan total amounted to less than 0.4 per cent. South America received less than 1½ per cent, and part of this was for the refunding of earlier British loans. The borrowings of European neutrals and of all other countries combined amounted to only a little more than 1 per cent of the total. Dollar loans extended January 1, 1915 to April 5, 1917, in excess of repayments, are summarized below, classified to show those maturing in five years or less, and those of more than five years' duration. The figures are in millions of dollars.

| Borrowers | Short Term | | Long Term[10] | |
|---|---|---|---|---|
| The Allies: | | | | |
| France and Great Britain | 2,101.6 | | — | |
| Russia and Italy | 75.0 | | — | |
| Canada (and Australia) | 135.1 | 2,311.7 | 269.6 | 269.6 |
| Central Europe (Germany only) | | 7.5 | | — |
| European neutrals | | 7.0 | | 5.0 |
| South America | | 27.5 | | 28.3 |
| Other Latin American | | 6.7 | | −3.5 |
| Other countries | | 7.8 | | 3.9 |
| Total | | 2,368.2 | | 303.3 |

[9] American loans to foreigners during the last five months of 1914 totalled 26.9 million dollars, of which 10 millions were to France, and 5 millions to Russia. App. E gives detailed data for 1915-35.

[10] The minus sign indicates repayments in the United States in excess

Of the South American long-term issues, 15 million dollars were loaned to the Central Argentine Railway Co., Ltd., to retire sterling debts due in London, and about 4 million dollars to the Province of Buenos Aires for a similar purpose.

To complete the statistical summary of foreign lending from July 1914 until America entered the War, account should be taken of certain omissions: Some 176 million dollars of commercial credits arranged for foreigners have not been included above because information was lacking in sufficient detail concerning their use and repayment. No allowance has been made for book credits extended by American industry during the period. Finally, no foreign currency loans are included. Such loans are known to have been bought up in foreign markets and sold here as early as 1916: rublė loans issued by the Russian government, franc loans from France, large purchases of lira loans from Italy, mark loans from Germany, and some Hungarian treasury notes also in German marks.[11] It was reported at the time that the portion of the principal Italian lira issue sold here amounted to 45 million dollars; of a single Russian ruble loan to 46 millions; and of one French franc loan to 10 million dollars. These figures probably are exaggerations, but whatever the outlay by Americans at the time the securities were originally purchased, the value of this part of the portfolio was practically destroyed by the War and post-war depreciation of foreign currencies.

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of new loans. Total issues during the period amounted to 316.6 millions of long-term and 2,287.9 millions of short-term loans, plus a balance of 345.5 million dollars due the banks from the British government on "demand loan" account. See pp. 619-29 below.

[11] The principal New York house handling the German and Hungarian issues was put on the British black list. The *Chronicle*, July 22, 1916, p. 295.

Approximately 84 per cent of the foreign dollar loans summarized on page 355 were for the account of national governments, with the rest divided among provincial and municipal governments, and corporations. Amounts taken by the several types of borrowers, in millions of dollars, compare as follows:

| Borrowers | Short Term | Long Term |
|---|---|---|
| National governments . . . | 2,061.2 | 170.1 |
| Provincial governments | 66.9 | 35.3 |
| Municipal governments . . | 132.9 | 46.8 |
| Corporations, including railways . . | 107.2 | 51.1 |
| Total . . . . . . . . . . . . . . . . . | 2,368.2 | 303.3 |

Whether the borrower was a government agency or a business corporation, the purpose was in most cases the same—to assist the belligerent governments in expanding their purchases in America.

An example will indicate the procedure by which loans were obtained by foreign corporations for the benefit of their governments. A French railway in 1916 bought railway materials in the United States for which it was able and willing to pay cash. At the suggestion of the French government, however, a representative of the road arranged through the National Bank of Commerce of New York to handle the purchase on credit, thus conserving dollar exchange available in France. Instead of buying dollars the railway bought French treasury bills with the francs necessary to cover the American purchase, depositing these treasury bills with the Bank of France as collateral for the benefit of the National Bank of Commerce. The road then drew ninety-day sight bills, in dollars, on this New York bank. The bank accepted the bills, discounted them in the open market in New York, and with the proceeds paid the American manu-

facturer for the railway materials. Under the terms of the agreement the road had the privilege of renewing the loan five times, but at final maturity was obligated to sell its French treasury bills and pay off the loan either in dollar exchange or gold.[12] Many such credits were arranged by French banks and merchants, with the understanding that the dollar proceeds would be turned over to the French government. Some were also arranged by British banks for the account of their government.

In view of their political importance and their financial standing, the borrowers in general were able to obtain their loans on liberal terms. In October 1915 the 500 million dollar Anglo-French loan (a 5 per cent loan, due in 1920) was taken by the bankers at 96 per cent of its face value and sold to the public at 98. In August 1916 a 250 million dollar loan for the British government (interest 5½ per cent, due September 1, 1918) was taken by the bankers at 98 and sold to the public at 99; in October another 300 millions (also at 5½ per cent, half due in 1919 and the rest in 1921) was taken by the bankers at 97⅜ and 97, and by the public at 99¼ and 98½ respectively; and the following February (1917) another 250 millions (also at 5½ per cent, 100 millions due in 1918 and 150 millions in 1919) were sold to the public at 99.52 and 99.07.[13] The 60 million dollar "French seaports loan" issued in November 1916 (interest at 6 per cent, due in 1919) was taken by the bankers at 96½, and by American investors at 98. For the Anglo-French loan, no security was required other than the "joint and several liability" of

[12] The *Chronicle*, Nov. 25, 1916, p. 1931.

[13] The price to bankers for this loan is not given in the bankers' reports to the Senate investigating committee. Prices for the other loans are from: 72 Cong. 1 sess., *Sale of Foreign Bonds or Securities in the United States*, Hearings on S. res. 19 before Senate Committe on Finance.

the British and French governments. For the other four issues referred to above, the borrowers were required to deposit collateral securities aggregating in value 120 per cent of the face of the respective loans, the loan agreements specifying in each case the general types of securities acceptable for the purpose.

The loan floated for the Imperial Russian government in December 1916 was one of the few exceptions to the practice generally followed of requiring collateral from all types of borrowers. This issue, described in advertisements as the "first attempt by Russia to float a loan in the United States market," was secured only by "Russia's general credit." Of a 50 million dollar total (interest 5 per cent, due in 1921) provided for in the loan contract, 25 millions were taken by the bankers, at 90¼. Only 20 millions could be disposed of to the public, to whom the price was 94¾. The other 5 millions were left on the bankers' hands, to be distributed among the syndicate members.[14]

On all short-term issues combined, the average price to bankers during this period was 97.1, and nominal interest rates averaged 5.3 per cent.[15] The effective interest rate—or the rate calculated on the basis of the prices the bankers paid for the loans[16]—averaged 5.47 per cent. For the British government loans the effective rate averaged 5.41 per cent, and for French borrowings (about 15 per cent of which were contracted by French municipalities) the effective rate averaged 5.43 per cent. On

[14] The *Chronicle*, Jan. 13, 1917, p. 119; Mar. 3, 1917, p. 803. Interest payments on this loan were in default by December 1919. The *Chronicle*, Dec. 6, 1919, p. 2117.

[15] The averages given here are weighted averages computed for all loans except discount notes and the so-called "commercial credits."

[16] Expenses connected with issuing the loans reduced the borrowers' proceeds a point or two points below the price to bankers. The effective rates to borrowers were thus slightly higher than those given here.

long-term loans the average price to bankers was 91.7; the nominal rate of interest averaged 4.97 per cent; and the effective rate to borrowers, 5.25 per cent.

How long the allies could have continued to expand their war purchases in this country, financing them through regular banking channels, is an open question. By 1917 the strain on their resources was beginning to show in the rates at which they were obtaining loans. For France and Great Britain the average effective rate of interest in 1917 was 5.6 per cent, as compared with 5.2 per cent in 1915. Arrangements under way for the sale of British and French treasury bills to American banks were abandoned in January 1917, after the Federal Reserve Board had issued a warning to the banks against acquiring too large an amount of foreign paper which, while short term in form, was likely to prove long term in fact.[17] Proposals were under consideration in the first week of April 1917 for a 200 million dollar issue of British long-term bonds in the United States, collateral for the loan to consist of Canadian railway securities then held in London under British treasury control.[18] Then came America's declaration of war against Germany.

### GOVERNMENT LENDING

Passage of the first Liberty loan act on April 24, 1917, authorized the Secretary of the Treasury, with the approval of the President, to purchase obligations of foreign governments at war with the enemies of the United States. The following day the Secretary of the Treasury handed the British Ambassador in Washington a check

[17] The *Chronicle*, Dec. 2, 1916, pp. 2014, 2028; *Federal Reserve Bulletin*, December 1916, p. 661; February 1917, p. 82.

[18] The *Chronicle*, 1917: April 7, p. 1387; April 14, p. 1488; April 21, p. 1604; May 12, p. 1898.

for 200 million dollars, receiving in return short-dated notes of the British government. By the end of the year 3.7 billion dollars had been advanced to the allies, and in 1918 an additional 4 billions was loaned. The armistice was signed November 11, 1918, but under the Liberty loan acts, authority for lending to the allies continued until the presidential proclamation of July 2, 1921 officially terminated the war with Germany. The loans made in 1919, however, were considerably below those for the two preceding years, and were even more sharply curtailed in 1920. The last Treasury check was paid out on May 29, 1922, under a credit established much earlier, bringing to a close this phase of America's foreign loan history.[19]

In purchasing the obligations of the allied governments, the United States followed the general procedure customary for such financial transactions, but gave the allies more liberal terms than they had formerly been able to secure from private agencies. The price paid for the obligations of the borrowing governments was par in all cases. The security required was simply the good faith of the borrowing government.[20] The rate of interest charged[21] was governed by the rate the United States had to pay in securing from American investors the

[19] Cash advances in 1919 amounted to 1,750.3 million dollars, reduced to 1,742.7 millions by a small repayment from Great Britain. The 1920 total was 137.9 millions; for 1921 it was 16.7 millions; and for 1922 it was 0.7 million dollars. Repayments during the last three years amounted to 204.5 millions.

[20] There was one exception to this rule. In 1918 when the U. S. Treasury provided funds for liquidating two British loans falling due in this country, it required subrogation of the collateral back of those loans. *Munitions* Hearings, Part 29, p. 9348.

[21] The rate charged was put somewhat above the Liberty loan rates, to compensate the government for tax exemption feature of the Liberty loans and the cost incurred in borrowing funds that were reloaned to Europe. *Annual Report of the Secretary of the Treasury*, 1920, pp. 18, 56.

funds re-loaned to the allies. On obligations acquired during April and the early part of May 1917, the rate was 3 per cent per annum. On such obligations acquired or renewed during the next four months, 3½ per cent was charged; increased to 4¼ per cent in September 1917, and to 5 per cent in May 1918.

A limit of 10 billion dollars was set as the maximum that might be loaned to foreigners under the Liberty loan acts. By the end of 1920, all cash advances actually made had aggregated 9,581 million dollars, reduced by repayments to 9,467 millions. At the end of 1922, or shortly before the debt agreement with Great Britain was negotiated, the amount outstanding was 9,386.7 millions. The distribution of these loans among the various borrowers is shown by the table below.

LOANS BY THE UNITED STATES GOVERNMENT, UNDER THE LIBERTY LOAN ACT, 1917–22[a]
(Figures are in millions of dollars, for calendar years)

| Borrower | 1917 | 1918 | 1919 | 1920–22 | Total |
|---|---|---|---|---|---|
| Belgium | 75.4 | 141.6 | 121.7 | 8.5 | 347.2 |
| Cuba | — | 10.0 | — | −2.3 | 7.7 |
| Czechoslovakia | — | 5.0 | 49.3 | 7.7 | 62.0 |
| France | 1,130.0 | 966.4 | 801.0 | 35.9 | 2,933.3 |
| Great Britain | 1,860.7 | 2,122.0 | 287.4 | −133.6 | 4,136.5 |
| Greece | — | — | 5.0 | 10.0 | 15.0 |
| Italy | 400.0 | 776.0 | 444.9 | 27.1 | 1,648.0 |
| Rumania | — | — | 25.0 | −1.8 | 23.2 |
| Russia | 187.7 | — | — | — | 187.7 |
| Serbia | 3.0 | 7.8 | 16.0 | −0.7 | 26.1 |
| Total | 3,656.8 | 4,028.8 | 1,750.3 | −49.2 | 9,386.7 |

[a] Compiled from data given in the *Combined Annual Reports of the World War Foreign Debt Commission, Fiscal Years 1922–26* (1927), pp. 2, 318–25. Reference was made to the *Annual Report of the Secretary of the Treasury*, 1920, pp. 335–37, to correct a slight error in the figures given for Czechoslovakia. For 1919 the British figure and the total are both net, after deductions have been made to take account of 7.6 million dollars repaid by Great Britain during that year. The minus signs used in the 1920–22 column indicate repayments in excess of cash advances.

A loan of $26,000 to Liberia, made in 1919, should be included to complete the list of borrowers. Rounded to tenths of millions, however, it would appear in the tabulation as a zero item, and has therefore been omitted.

Expenditures made by allied governments to November 1, 1920 amounted to 11,867.8 million dollars, or 2,401.6 million dollars in excess of the cash loans from the American government. The deficiency was in large part supplied by payments aggregating 1,490.4 million dollars which the United States government made for the purchase of allied currencies, mostly francs and pounds sterling, required for American military operations in Europe. An additional 81.4 million dollars was supplied by the proceeds of rupee credits and gold from India. The remaining 830 million dollars had to be supplied by the allies from other sources.

Such expenditures having been under the supervision of the Treasury, the Secretary was able to publish an account in his 1920 report, showing how the funds made available to the allies from April 1917 to November 1, 1920 had been spent.[22] Repayments of loans obtained through the agency of American banks before the entry of the United States into the war accounted for 643.2 millions of the expenditures by France and Great Britain, and 5 millions by Russia. Interest paid to the United States government by all borrowers accounted for 437.3 million dollars, and interest paid on the earlier loans arranged through the banks amounted to 293.2 millions.[23] Purchases made from neutral nations and

[22] The way in which the purchases made by the United States and foreign governments were coordinated under Treasury supervision is described by the Secretary of the Treasury, 1920 report, p. 69.

[23] An itemized statement of the interest paid to the United States government is given in the *Annual Report of the Secretary of the Treasury*, 1920, p. 57.

covered by loans from the United States government amounted to 18.8 millions. The rest was spent for American commodities and services as follows:

| Allied Purchases | Millions of Dollars |
|---|---|
| Munitions | 2,699.2 |
| Exchange and cotton | 2,644.7 |
| Cereals and other foodstuffs | 3,052.1 |
| Other supplies | 758.4 |
| Transportation and shipping | 309.5 |
| Miscellaneous | 1,006.4 |
| Total | 10,470.3 |

Interest payments to the United States government, mentioned in the paragraph above, include payments made through April and May 1919. Thereafter such payments were postponed on practically all of the loans, in accordance with an announcement made by the Treasury in September 1919 that interest would not be required in cash during the next two or three years, but might be charged against accounts of the debtor countries. By November 15, 1922, interest accrued on obligations the Treasury had acquired under the Liberty loan acts amounted to 1.5 billion dollars.[24]

Loans for the sale of war materials left in Europe at the close of the War, and for the relief of suffering populations, were authorized by special legislation. An act of July 9, 1918 empowered the War and Navy Departments to sell to foreign governments on credit any or all surplus war materials; an act of February 25, 1919 empowered the American Relief Administration to sell relief supplies on credit; and an act of March 13, 1920 conferred similar powers upon the United States Grain Corporation. The sales made and credits extended under

[24] *Annual Report of the Secretary of the Treasury*, 1920, pp. 57-61; the same, 1922, p. 281.

these acts amounted in all to 739.9 million dollars.[25]

| Sales made by: | Millions of Dollars |
|---|---|
| War and Navy Departments | 598.9 |
| American Relief Administration | 84.1 |
| United States Grain Corporation | 56.9 |
| Total | 739.9 |

Short-term obligations of the borrowing governments, with interest at 5 per cent in all cases, were taken by the organizations handling the sales, and later were turned over to the Treasury. On about 60 per cent of the credits for surplus war materials—representing all of the sales to France and Belgium—interest was promptly received when due, until the short-term notes were finally funded into long-term obligations. On practically all of the rest, including the loans made by the Relief Administration and the Grain Corporation, interest was deferred, amounting by the middle of November 1922 to 37 million dollars.[26]

The subject of funding the whole body of debts due the United States government was under consideration as early as 1919. In February 1922 the World War Foreign Debt Commission was created by an act of Congress to negotiate such funding agreements. Settlements were arranged with thirteen of the debtor governments, by which long-term obligations were received by the United States covering all but 252 million dollars of the principal of the debts as they stood at the close of 1922.[27] Finland was the first to sign, May 1, 1923, and

[25] *Combined Annual Reports of the World War Foreign Debt Commission, Fiscal Years 1922-26*, pp. 326-28. All of the transactions except the sale of 17.7 million dollars of war materials to Poland were completed before the close of 1920.

[26] The same, p. 10.

[27] The exceptions were Russia, Greece, and Armenia, whose governments were not recognized by the United States; Cuba and Nicaragua,

Yugoslavia the last, May 3, 1926. The summary below shows the principal of the debts represented by the new long-term bonds thus turned over to the United States, and the interest to be paid on these bonds in the future. The figures are in millions of dollars.[28]

| Debtor | Principal | Interest |
|---|---|---|
| France | 4,025 | 2,823 |
| Great Britain | 4,600 | 6,506 |
| Italy | 2,042 | 366 |
| All others | 1,037 | 860 |
| Total | 11,704 | 10,555 |

Under the terms of the various agreements, interest that had accrued down to the date of settlement was scaled down and added to the principal to be funded. Small payments on principal account were also made in connection with most of the settlements. The total principal of the new bonds (11,704 million dollars) received by the United States government thus included 1,842 millions of funded interest and 9,862 millions of funded principal. Provisions regarding future interest on these new bonds varied from country to country, the amounts to be paid averaging only 0.3 per cent in the case of Greece, 0.4 per cent for Italy, and 3.3 per cent for nine others, including Great Britain. For all countries together, the average amounted to 2.1 per cent.[29]

whose debts were considered to be in funded form; Liberia, whose small debt was paid out of the proceeds of a new loan; and Austria, with whom debt negotiations were postponed for twenty years. The same, p. 8.

[28] *Munitions* Hearings, Part 35, pp. 11680-83. A comprehensive story of the debt negotiations is given in Harold G. Moulton and Leo Pasvolsky, *War Debts and World Prosperity* (1932), Chaps. IV and V; and the funding agreements with the various governments are given in full in Moulton and Pasvolsky, *World War Debt Settlements* (1926).

[29] Moulton and Pasvolsky, *War Debts and World Prosperity*, p. 91.

## PRIVATE LENDING RESUMED, 1919

Private agencies were slow in resuming the issue of foreign securities when control over their activities was lifted at the close of 1918.[30] There was little opportunity for such loans in 1919, except for the funding of maturing short-term issues, for the United States government continued to extend loans to Europe throughout the year and, by the issue of the Victory loan in May, was making large demands on the country's dwindling supply of loanable funds. In 1920 the actual amounts loaned were smaller than the aggregate repayments received on earlier issues, but the groundwork was being laid for the lending of later years. Some large sales of American goods and services were made abroad by American industrial concerns who took short-term notes from foreign purchasers, in some cases with the expectation of selling these to investors as soon as opportunity offered. Meantime, public opinion favorable to foreign lending was developing under the leadership of a growing number of business men, journalists, learned societies, and government agencies, with only a few dissenting voices raised to counsel caution.[31] The arguments urged covered a wide range—from the needs of suffering Europe to the requirements of the American export trade.

A comparison is given below of the net amounts of dollar loans extended or repaid annually from the time America entered the War to the close of 1924. The figures exclude certain British and French treasury notes, commercial credits, and also, all loans issued in foreign

[30] Control over the issue of all securities, foreign and domestic, had been exercised by the Capital Issues Committee from May 17, 1918 to Dec. 31, 1918. *Annual Report of the Secretary of the Treasury*, 1918, p. 60; 1919, p. 107.

[31] The *Chronicle* for 1919, 1920, and early 1921 carries reprints of many speeches and articles on the subject.

currencies. They are given in millions of dollars, the minus sign indicating repayments in excess of loans.

| | Short Term | Long Term | Total |
|---|---|---|---|
| 1917 (Apr. 6-Dec. 31) | −101.2 | 14.2 | −87.0 |
| 1918 | −703.9 | 88.0 | −615.9 |
| 1919 | −674.0 | 613.7 | −60.3 |
| 1920 | −486.2 | 401.7 | −84.5 |
| 1921 | −89.6 | 469.2 | 379.6 |
| 1922 | 17.3 | 542.4 | 559.7 |
| 1923 | 7.8 | 256.8 | 264.6 |
| 1924 | 105.8 | 805.1 | 911.9 |

During the whole period of almost eight years, net new loans exceeded repayments by 1,268.1 million dollars.[32]

FOREIGN DOLLAR LOANS, APRIL 6, 1917–DECEMBER 31, 1924[a]
(Net amounts loaned or repaid, in millions of dollars)

| Debtor | Apr. 6, 1917–Dec. 31, 1919 | | 1920–21 | | 1922–24 | | Total Apr. 6, 1917–Dec. 31, 1924 | |
|---|---|---|---|---|---|---|---|---|
| | Short | Long | Short | Long | Short | Long | Short | Long |
| France | −282.1 | 24.3 | −309.9 | 211.8 | 2.2 | 198.3 | −589 8 | 434.4 |
| Great Britain | −1,135.1 | 393.0 | −369.5 | — | −7.5 | −101.6 | −1,512.1 | 291.4 |
| Russia, Belgium, Italy | 34.1 | — | 4.4 | 86.1 | 13.3 | 71.9 | 51.8 | 158.0 |
| Germany, Austria, Hungary | −7.5 | — | — | — | 14.0 | 143.6 | 6.5 | 143.6 |
| Other Europe | −10.0 | 65.0 | −5.0 | 169.2 | 13.1 | 249.6 | −1.9 | 483.8 |
| Canada | −81.8 | 210.4 | 52.7 | 245.3 | 79.8 | 440.6 | 50.7 | 896.3 |
| South America | −5.7 | 22.2 | 44.8 | 131.8 | 1.7 | 164.8 | 40.8 | 318.8 |
| Other Latin America | −6.7 | 1.1 | 5.3 | −2.7 | 3.5 | 77.4 | 2.1 | 75.8 |
| Other countries | 15.7 | −0.1 | 1.4 | 29.4 | 10.8 | 360.7 | 27.9 | 390.0 |
| Total | −1,479.1 | 715.9 | −575.8 | 870.9 | 130.9 | 1,605.3 | −1,924.0 | 3,192.1 |

[a] These figures include the "demand loans" to Great Britain. Loans of five years or less duration are classified as short-term loans; and all others, as long-term. More detailed data are given in App. E. The minus sign indicates repayments in excess of new loans.

Short-term loans repaid by foreigners, in excess of new borrowings, amounted to 1,924 million dollars. The net amount of new long-term debts contracted by all foreigners amounted to 3,192.1 millions.

[32] These figures include the "demand loans" which J. P. Morgan & Co. extended to the British government. This amounted to 345.5 million dollars on Apr. 5, 1917; reached a high of 480.0 millions Aug. 7, 1917;

The years of big repayments on short-term account were April 6, 1917 through 1921. The greater part of the long-term debts were incurred in the three years 1922-24. In the table on page 368 the net results of these loan transactions are given, classified to show where and when the loans were placed or repaid.

The big repayments were made by France and Great Britain, and were sufficient to wipe out all of such short-term indebtedness incurred by those countries from January 1, 1915 to April 5, 1917, with some repayments on obligations dated earlier than 1915.[33] Canada and France were the principal borrowers on long-term account. Brazil was the principal South American borrower, and Japan and the Dutch East Indies accounted for most of the borrowing by the "other countries" group. At the close of 1919 all foreign dollar loans outstanding aggregated 2,344.4 million dollars, increased to 4,374.5 millions by the close of 1924.

As in the war period, the principal borrowers during the reconstruction years, 1920-24, were national governments. This is shown by the data below, giving the net amounts repaid or loaned, 1920-24, by types of borrowers. The figures are in millions of dollars.

| Borrowers | Short Term | Long Term |
|---|---|---|
| National governments | –474.6 | 1,491.6 |
| Provincial governments | 43.8 | 284.2 |
| Municipal governments | –71.3 | 251.4 |
| Corporations, including railways | 57.2 | 449.0 |
| Total | –444.9 | 2,476.2 |

The borrowing group in the post-war period was not identical with that of earlier years, however. Britain was

declined to 222.3 millions on Dec. 31, 1917; to 89.0 millions on Dec. 31, 1918; and was entirely paid off July 24, 1919. *Munitions* Hearings, Part 33, pp. 10904-13.

[33] Compare with figures given above, p. 355.

no longer represented; France was still a borrower, but one whose credit had been weakened by the war; some new and untried countries were added to the list; and near the close of the period, loans were made to the governments of former enemy countries.

The change in conditions is reflected in the rates at which the loans were made. Effective interest rates—based on prices the bankers paid for loans—were considerably higher in 1920-24 than in 1915-April 1917, the exception being the short-term average, 1922-24. For comparison, figures for 1925-29 are also shown in the tabulation below.

| Loans | Average Price Paid by Bankers | Effective Interest Rate | Nominal Interest Rate |
|---|---|---|---|
| Short-term: | | | |
| 1915-April 5, 1917 | 97.1 | 5.5 | 5.3 |
| 1920-21 | 94.9 | 6.2 | 5.9 |
| 1922-24 | 98.3 | 5.2 | 5.1 |
| 1925-29 | 97.7 | 4.6 | 4.4 |
| Long-term: | | | |
| 1915-April 5, 1917 | 91.7 | 5.3 | 5.0 |
| 1920-21 | 92.8 | 7.7 | 7.1 |
| 1922-24 | 90.6 | 6.7 | 6.1 |
| 1925-29 | 91.4 | 6.5 | 6.0 |

The variation in rates granted different borrowers within any given period was much greater than in the averages for different periods.[34] For example, effective interest rates during 1922-24 on long-term loans to the Philippines averaged about 4.7 per cent; to Canada, 5.3; to Norway, 6.4; on the Dawes loan to Germany, 8.1; Bolivia, 8.6; Greece, 8.7; Czechoslovakia, 8.9; Yugoslavia, 9.2; and Hungary, 9.3.

Canadian loans were taken as relatively safe invest-

[34] Average prices for loans and effective interest rates are given in detail in App. E, pp. 632-46. The figures do not include bank credits or discount loans, nor the sixty-ninety day treasury bills sold to American bankers for the account of the British and French governments.

ments. South American loans offered speculative possibilities. But loans to many of the war-ravaged countries of Europe offered the double attraction of permitting bankers and investors to play the part of Good Samaritan while getting very satisfactory returns on their money.

The figures above, and on page 359, include government obligations that were given directly for the purchase of American goods and services, as well as loans arranged through the agency of banking and investment houses. In particular, they include the short and long-term obligations that the Baldwin Locomotive Works, the American Locomotive Company, the Ulen Contracting Co., and some other American corporations received from foreign governments with whom they had signed contracts.

The locomotive companies, like many other corporations, suffered large cancellations of orders from the United States government at the close of the war, greatly curtailing their operations. Baldwin's pay-roll, for example, was cut from a peak of 16,500 men in 1918 to 10,000 men in 1919. At the same time the railways of Europe were badly in need of rolling stock. Starting with sales to Belgium in 1919 that amounted to 11.6 million dollars, Baldwin and American sold engines to Poland, Rumania, Argentina, Mexico, China, and Colombia. At the end of 1922 Baldwin alone held 20 million dollars of foreign treasury notes, American Locomotive held not less than 4.3 millions, and a subsidiary of Standard Steel Company had about 6 million dollars, the latter having extended credit to Argentina for freight cars and spare parts.[35] Some of these notes

[35] From balance sheets of the companies and from items published in the *Chronicle* from 1919 forward. The two locomotive companies also

were paid off from the proceeds of loans publicly offered in the United States, but in the main they were repaid by the debtor governments in relatively small annual amounts without recourse to the American security markets. In the case of Rumania, the lending companies agreed to take part payment in oil, and payments in that "currency" began before the end of 1920 on a debt contracted early that year. By 1929 the American corporations concerned had received payment on all, or practically all, of the foreign government notes they had taken in connection with their foreign contracts.

American engineering and construction companies were also getting some large contracts from foreign governments, but during the early twenties they were not attempting to do much of the financing themselves. In cases where they took government obligations for their work they usually arranged for a public issue of the bonds as soon as possible. For example, in 1920, American engineers and contractors received $2,253,000 in Bolivian government short-term securities in settlement for the construction of sanitation works in the cities of La Paz and Cochabamba, and in 1921 these bonds were publicly offered in the United States. In 1921 practically the same group contracted to build a railway 128 miles long for the Bolivian goverment, receiving 7 million dollars in 8 per cent bonds (at a price of 87½), which they exchanged in 1922 and 1924 for a like amount of the 8 per cent loan publicly issued by the Bolivian government in May 1922.[36] A dock at the port of Buenaventura

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filled a 4 million dollar order for the Paris-Orleans Railway of France in 1922, but in this case received payment from the proceeds of a loan the railway company floated in the United States.

[36] This was the American International Corporation-Stone & Webster group, with the Ulen Contracting Co., a subsidiary of the American International Corporation, taking the railway contract.

in the Department of Cauca Valley, Colombia, was built by another member of the same group, in 1919-20, for which the contractors received $1,205,000 in short-term obligations of the Department, funded into ten-year publicly issued bonds in 1922.[37] Many other large public works contracts in South America were handled by American engineers but apparently were financed in other ways than by credits granted directly by the contractors. In China the Federal Telegraph Company contracted in 1921 to erect radio stations for which they would receive a total of 6.5 million dollars in 8 per cent bonds of the Chinese government. The company's reports seem to indicate, however, that work went very slowly and that by 1924 only $255,000 of the bonds had been issued—the figure at which they have been included in the summary on page 368.[38]

In addition to the dollar loans shown in the table on page 368, other foreign assets were acquired by Americans during these years:[39]

1. Quotas of ninety-day treasury bills, issued in dollars by the British and French governments, were taken by New York institutions. The British bills were sold at the rate of not more than 15 million dollars a week from August 24, 1917 to the end of April 1921, the maximum amount outstanding at any time being $120,000,000. French treasury bills were sold in weekly quotas of 5 million dollars from early August 1919 to

[37] G. Amsinck & Co. Inc., a subsidiary of the American International Corporation, handled this contract.

[38] The statements given above are based on reports published in the financial manuals and in current issues of the *Chronicle*.

[39] The amounts which foreigners obtained in the United States through the sale of foreign currencies are not included here. Such currencies were soon converted into tourist expenditures or some form of property, or were lost through the depreciation of the currencies involved.

August 1921, reaching a maximum on October 22, 1920, when $74,445,000 were outstanding.[40]

2. Large blocks of foreign currency loans and shares of foreign corporations (foreign controlled) were brought to the United States for sale during the five years 1920-24. The unsold portions of many sterling loans authorized in previous years by various foreign governments also found a market here. Such sales for Argentina, Australia, Brazil, Colombia, Dutch East Indies, Japan, Palestine, Peru, and Rumania, at current rates of exchange, aggregated about 17 million dollars. About 64.5 million dollars of loans issued in other relatively stable currencies were also sold in the United States. Of this total, 56 million dollars were in guilders for the Netherlands government and Dutch corporations, and the rest were for loans issued by a number of European neutrals and by South American countries. Other foreign currency issues were also brought here, in large amounts, but in the main these were mark, ruble, and French franc loans that fell in value with the depreciation of those currencies. Purchases of the stock issues of foreign corporations (foreign controlled) amounted to not less than 67 million dollars.

3. Short-term credits were extended to foreigners by American banks and corporations. At the middle of 1919 these amounted to 406 million dollars,[41] increased

[40] The British transactions are summarized by A. W. Kirkaldy, *British Finance during and after the War, 1914-21* (1921), p. 183; and the French transactions by the late Dwight Morrow of J. P. Morgan & Co., the *Chronicle*, May 2, 1921, p. 2130. Statements concerning the weekly quotas for both governments were also published in the *Chronicle* as they were issued. The $120,000,000 maximum quoted above is from the testimony of George Whitney, a partner of J. P. Morgan & Co., *Munitions* Hearings, Part 29, p. 9029.

[41] The estimate for 1919 is from the *Federal Reserve Bulletin*, December 1921, p. 1410; and for 1921 is from John H. Williams, the *Chronicle*, Aug. 19, 1922, p. 829.

to 630 million dollars by the middle of 1921. We have no estimate for the close of 1924, but the amount then outstanding probably was as much as 800 million dollars.

At the close of 1919 these three types of investments aggregated about 1.2 billion dollars. During the next five years the British and French treasury bills were all paid off. Depreciation in the value of American-owned foreign currency bonds and shares more than offset the new purchases of such issues. Short-term credits receivable probably increased. In all, there probably was a net increase in these items of about 100 million dollars, with their total at the end of 1924 amounting to roughly 1.3 billion dollars.

The ten-year period that came to an end in December 1924 was an extraordinary one in the history of America's foreign financial relations. At the beginning of the decade, American investors held foreign securities amounting to less than 1 billion dollars. At its close such private holdings amounted to almost 4.6 billions—or to roughly 5.4 billions if short-term credits are included. In addition, the government of the United States held foreign government obligations aggregating 11.8 billion dollars. Thus, within the space of ten years the foreign securities acquired by the government and people of the United States were more than fifteen times as great as the amount that had accumulated during the preceding 130 years of the nation's existence.

## CHAPTER XVIII

# LENDING IN PROSPERITY AND DEPRESSION (1925-35)

Stabilization loans, loans for "productive purposes," for highways, railways, public utilities, sanitation works, and for residential apartment houses, loans to church organizations, to public and parochial school districts, and many other types of foreign loans crowded the markets in the five years 1925-29. Lending reached a peak in 1927, and by 1929 new loans, exclusive of commercial credits and deposits in foreign banks, were smaller than the repayments received on earlier issues. With the stock market crash of 1929, foreign lending declined sharply, and after 1931 practically came to an end. Meantime there was a shrinkage in world trade, accompanied in many countries by the adoption of exchange control measures. This put an end to the flow of funds into the United States from the controlled countries, and rendered it more difficult for other debtor countries to make payments on their obligations.

### THE SCRAMBLE FOR "INVESTMENT OPPORTUNITIES"

In 1936 J. P. Morgan stated that the American public had been a dull student in the early days of the War, slow in acquiring a foreign-loan education.[1] By 1925, however, the lesson had been well learned, and a year or so later close observers began to see that it had been learned too well. With characteristic optimism, Americans looked favorably upon the higher yields offered by foreign bonds and overlooked the risks involved. Some

[1] 73 Cong. 2 sess., *Munitions Industry*, Hearings on S. res. 206 before Senate Special Committee Investigating the Munitions Industry, p. 7926.

of the more conservative bankers attempted to protect the public from the losses likely to follow unrestrained foreign lending, but there were many others who were urging loans upon foreign borrowers in excess of their requirements, and sometimes in opposition to the advice of responsible officials in the borrowing countries.

Whereas in the middle decades of the nineteenth century American promoters had scoured Europe in search of foreign lenders, in 1925-29 they were searching the world over for foreign borrowers.[2] At one time, according to testimony before the Senate Committee on Finance investigating the sale of foreign securities in the United States, there were 29 representatives of American financial houses in Colombia alone trying to negotiate loans for the national government, for the departments, and for other possible borrowers.[3] Some 36 houses, most of them American, competed for a city of Budapest loan and 14 for a loan to the city of Belgrade. A Bavarian hamlet, discovered by American agents to be in need of about $125,000, was urged and finally persuaded to borrow 3 million dollars in the American market.[4] In Peru, a group of successful American promoters included one Peruvian, the son of the President of that republic, who was afterward tried by the courts of his country and convicted of "illegal enrichment."[5] In Cuba the son-in-law of the President was given a well-paid position in the Cuban branch of an American bank during most of the time the bank was successfully competing against

[2] 72 Cong. 1 sess., *Sale of Foreign Bonds or Securities in the United States* (1932), Hearings on S. res. 19 before Senate Committee on Finance, p. 1324.

[3] The same, pp. 845-46, 848.

[4] Max Winkler, *Foreign Bonds, an Autopsy* (1933), pp. 86-88.

[5] *Sale of Foreign Bonds or Securities in the United States*, Hearings, pp. 1279-80, 1770.

other American banks for the privilege of financing the Cuban government.[6]

The foreign loan promoters obtained funds from American investment houses for their personal expenses, for the lavish entertainment of "local society folks," and for "fixing presidents and officials of South American republics." When successful in negotiating a loan contract, they also received payment for their work on a commission basis—usually of one-fourth to one-half of one per cent of the principal amount of the loan.[7] Contracts for the expenditure of the loans proceeds sometimes engaged the attention of the same group, sometimes of other groups of promoters. This was particularly true of Latin America and some of the more backward countries of Europe, where many of the loans were made specifically for the construction of public works.

The big American construction companies sometimes helped finance public works in foreign countries, sometimes secured their contracts on a competitive basis after the financing had been arranged. Ulen and Co. usually worked with an associated group of bankers, financing and building public works throughout the world: waterworks systems in Greece in the ancient cities of Athens and Piraeus; stockyards, tramways, gas and waterworks systems in Warsaw, Poland; various projects in Turkey; irrigation works in Chile; and port works in Colombia. Frederick Snare & Co. helped finance some of their contracts in South America, for example in Peru.

Warren Bros., working under contracts secured on a competitive basis, were building roads in Argentina, Chile, Colombia, Cuba, and Guatemala. The Foundation Company was building roads, sanitation works, and

[6] The same, pp. 739, 1949-50, 1954-57, 2029-32.

[7] The same, pp. 1298, 1308-11, 1611-12.

public buildings for the national governments of Peru and Bolivia, and some public works in Argentina, Chile, and Colombia.[8] A loan to the city of Montevideo, Uruguay, provided funds for extending a seacoast boulevard, beach development, and the widening of city streets, and a loan to the Republic of Uruguay was made for the construction and improvement of railroads, ports, and other public works, and for refunding debts incurred earlier for like purposes. Contracts for building the public works involved appear to have been let on the basis of competitive bids.

These loans and contracts provided a considerable market for American materials and services. The road-building contracts, for example, expanded the demand for American steam shovels and grading machinery; and also called for cement and asphalt from the South American and Cuban subsidiaries of American companies. The building of sanitation, gas, and waterworks systems called for metal pipes and plumbing supplies. Railway building called for steel rails, engines, and cars. The execution of all of these contracts gave employment abroad to a large number of American engineers, and also called for additional numbers of employees in the home offices of the companies concerned.

Other types of loans helped stimulate foreign demand for other classes of American goods. Increased foreign sales of some commodities, such as wheat, can seldom be traced directly to a particular foreign loan, while the connection was direct and easily traced in the case of the construction loans. But so long as American lending continued, practically all types of industry and all parts of

[8] The same, pp. 739, 1286, 1712, 2097-98. *Kimber's Record of Government Debts*, 1932. Frederick Snare & Co. obtained an option to build docks at Cartagena, Colombia, in 1931, but funds were not provided and the option was dropped.

the United States were more or less conscious of its supporting influence. It is not strange, therefore, that such warnings as were issued concerning the precarious situation of some of the borrowers were passed over rather lightly.

As early as May 2, 1927, Thomas W. Lamont, of J. P. Morgan & Co. warned against "indiscriminate lending and indiscriminate borrowing" in an address before the International Chamber of Commerce at Washington, May 2, 1927.

> I have in mind reports . . . of American bankers and firms competing on almost a violent scale for the purpose of obtaining loans in various foreign money markets overseas. Naturally it is a tempting thing for certain of the European governments to find a horde of American bankers sitting on their doorsteps offering them money. It is rather demoralizing for municipalities and corporations in the same countries to have money pressed upon them. That sort of competition tends to insecurity and unsound practice.

On October 13, 1927, S. Parker Gilbert issued a warning against further loans to Germany, and the Reichsbank was then exerting its influence against German borrowing.[9] But during the three years 1927-29, American loans to Germany in excess of repayments amounted to 379.2 million dollars, and in 1930 to 100 millions. In addition there were large credits extended by banks and commercial houses.

In 1927 the president of the Reserve Bank of Peru and an associate went to New York to tell American bankers that the loan they were then negotiating was far too large, and should at least be cut in half. Their advice was disregarded, however. The loan was issued

[9] *Sale of Foreign Bonds or Securities in the United States*, Hearings, pp. 1557, 1581-83; *Report of the Agent General for Reparation Payments*, May 21, 1930, p. 214.

and was followed by still others in 1927, 1928, and 1929.[10]

In June 1928 Colombia passed a law requiring that provincial and municipal governments should obtain the authorization of the central government before negotiating further foreign loans, and in the fall of that year the American commercial attaché at Bogota wrote to the Department of Commerce:

> I think Colombia is going wild on borrowing. She has started too many railroads and too many highways, and she has not any idea where she is going to get all the money, except that the money is coming so readily now that she just thinks she can borrow ad infinitum.

A Department of Commerce bulletin issued shortly afterward stressed the difficult budgetary and debt situation of the central government and departments, and probably accounted for the fact that new loans for Colombia (two departments) in 1929 amounted to only a little more than 3 million dollars, and in 1930 to a half million. However, in 1930 American banks extended a short-term credit of 20 million dollars to the central government of the country.[11]

Cuba in 1927 was engaged in a public works program that required considerable foreign financing—of doubtful legality because the country was borrowing beyond the limitations set by the Platt Amendment. Ways were found that seemed to circumvent the law and within a few years some 80 million dollars had been borrowed by the government, 20 million dollars of which were publicly issued in 1928 and 1929 and 40 millions in 1930. The rest was held by American banks.[12]

[10] *Sale of Foreign Bonds or Securities in the United States*, Hearings, p. 1601.

[11] The same, pp. 727-28, 730-38.

[12] The same, pp. 738-42; 1945-47.

In one case on record, a small banking house that had negotiated a South American loan was considerably disturbed by the release of a Department of Commerce circular which indicated that the prospective borrower, the state of Matto Grosso, Brazil, was a decidedly poor risk. Like the Chinese who broke the microscope that showed him the germs in his drinking water, this bank wanted the offending circular revised. The request was, of course, refused, and the loan dropped, saving the public from the spending of some 8 million dollars on bonds of questionable value.[13]

In general, however, the warnings that were given came too late. Those issued in time appear to have been discounted by the banking fraternity and in the main to have escaped the attention of the investing public. It is doubtful, however, whether the "public" would have listened to advice if it had reached them. Foreign bonds were a gamble, and in the late 1920's the country was in a gambling mood.

### FOLLIES OF THE BORROWERS

The follies of some of the borrowers fully matched the follies of the lenders. That there was over-borrowing was self-evident in many countries by the close of the twenties. Immediate lightening of the debt burden was obtained in some cases during this decade by funding operations that spread repayments over longer periods, but considerably increased the interest charges involved. Loan proceeds were riotously squandered with apparent disregard for political and economic consequences. Outstanding examples of waste and extravagance are provided by the debt histories of Peru and Cuba, but others might also be cited.

[13] The same, pp. 848-49.

Peru paid off 5 per cent and 5½ per cent bonds at 100 in 1927 by issuing 6 per cent bonds which she sold to banks at 86, thus raising the effective interest cost on the new bonds to 7 per cent.[14] Between 1923 and 1928 the government converted a considerable volume of internal obligations into external debt. During these years the internal debt of the country was practically cut in half, but the foreign debt in 1928 was five times the 1923 figure. This was a matter of no small importance since foreign debt payments must be made in foreign exchange (obtained from the export of goods or services, or the proceeds of new foreign loans) and not in the currency of the debtor.[15]

With this expansion of foreign obligations there was also extravagant expenditure for public works: streets paved "out in the desert," two paved roads built where only one was required. To the economic difficulties resulting from these extravagances new social problems were added. Indians were drawn down from the mountains by the relatively high wages offered on these public works projects, and when work stopped were left stranded in the cities, out of funds and out of the mood for returning to their native districts and resuming their former mode of life.[16]

The story of Cuba's borrowing and spending was concisely summarized by one of the witnesses before the Senate committee investigating the sale of foreign securities in the United States, and is given below in somewhat abbreviated form.[17]

[14] The same, p. 1608.

[15] The same, pp. 1595-96.

[16] The same, pp. 1593, 1600-01.

[17] Testimony of Grosvenor M. Jones, Department of Commerce. The same, pp. 740-42. Other testimony bringing out complete details of these Cuban loan transactions is given in pages 1944-2043.

President Machado was elected to office on the pledge that during his term of office Cuba would not increase her public debt. Then along came this grand project for building a highway from one end of the island to the other, at a time when all Latin America was stirred up by the possibilities of economic development through highway construction. General Machado was in a rather awkward position. He wanted the highway. He felt it would relieve unemployment in Cuba, and yet he did not want to increase the public debt. So, they conceived an original plan down there. They first created a lot of special revenues which they said should be set aside for public works construction. "It will not go through the regular budget," they said. "We will call it the special public works fund. In fact, we will make a contribution to that fund from our regular budget, and we will pay as we go in the construction of this highway."

They were a little slow in getting their plans drawn, and the revenue assigned to this fund mounted up much more rapidly than anybody anticipated. In a year's time, they had a great balance to the credit of this fund. Then they began to build this central highway. For political reasons, they had to build it in each of the five provinces. The result was that they had the highway started at five different points, getting nowhere. Then came the agitation, "Let us link up these various portions, so that we will get some use out of them." The only way they could do that was to speed up construction and the only way they could speed up construction was to arrange for some temporary financing.

They did not want to issue bonds, so they conceived the brilliant idea of having the public works department issue to the contractors, as bits of work were completed, public works certificates saying that the government owes the contractor so much for such and such a job. Then they said, "We will have to arrange with the bankers to discount these." That is where the financing of the public works in Cuba originated.

Then came a question. The bankers wondered, I believe, whether the Platt Amendment applied, because the Platt Amendment requires that Cuba shall float no loan, or issue no obligation the interest and service of which can not be met out of the ordinary revenues. Well, this was not the ordinary budget. This was a special fund. In any case, the Cuban government

succeeded in getting bankers to discount for the contractors these deferred public works certificates.

First it was started in a modest way, only $10,000,000, and with these revenues coming in the way they were, it looked as though those could be paid off very readily. The Chase Securities Co., after some competition, got that business. Then, like all those things, once they started they were in for it. The Cuban government began to spend more and more money on these projects. They thought they ought to complete the capitol. The result is that they have a $20,000,000 capitol, with a gilt dome, and all that sort of thing. Then they decided to build an extension of that fine sea wall, which General Wood restored. Money was coming easy. But they neglected the public highway a bit.

In order to make the central highway worth anything, they had to complete it. All of those different links had been started, and still were not joined together. They asked Chase for another credit of $50,000,000, bringing up the total credit to $60,000,000. That got a little large for Chase to swing, although there was a syndicate to handle it. Therefore, it was arranged with the Cuban government that part of those public works certificates should be sold to the public in this country. There were two issues of $10,000,000 each of these public works certificates sold on a serial basis to the American public.

The $60,000,000 credit with Chase was exhausted, and the highway still was not completed. It was costing more than anybody had anticipated. They stopped on the way and put in some ornamental parks, and some embellishments, which ran up the cost, and there they were, sort of hung up in the air, with a highway only partially completed.

The Cuban government wanted more money, and Chase said: "We are already holding $40,000,000 worth of these public works certificates. We have marketed only $20,000,000 in the serial form. We can not increase that." But it was arranged, finally, that in consideration of the Cuban government consenting to an issue of bonds to take up the $40,000,000 of public works certificates held by Chase, the Chase National Bank would take an option to bring out a further $40,000,000 of bonds. These $80,000,000 of bonds were to mature in 1945. The understanding was that that would be the absolute limit:

within that total Cuba would have to finish the highway. A further consideration was that Chase gave them a credit of $20,000,000, which credit was to be taken up out of the second $40,000,000 issue—on which Chase took an option—when, as, and if issued. Those bonds have never been issued—the remaining $40,000,000. The credit has been renewed from time to time. Because of the fact that the second $40,000,000 of bonds could not be marketed Chase would not increase its credit beyond $20,000,000. The Cuban government had to issue to the contractors its own obligations up to $20,000,000.

Today (January 7, 1932) $100,000,000 of obligations, in one form or another, are outstanding, less $6,250,000 of serial public works certificates retired December 1931. There are $40,000,000 of bonds; there are $20,000,000 of the Chase Bank credit; there are $20,000,000 of what are known as treasury obligations, which are held by the contractors; and there are now $13,750,000 serial public works certificates held by the American public.

The sequel to the Cuban story is still unfolding. After more than two months' discussion, the Cuban government, on December 28, 1933, announced its intention of suspending interest payments on the 40 million dollars of public works bonds issued publicly and on the certificates held by the banks and contractors, declaring that the contracts covering them had been illegal.[18] The serial work certificates had already been paid off in full except $867,000, which the banking group acquired to prevent their public default by Cuba.[19] In November 1936 a petition was admitted by the Supreme Court of Cuba asking that the decree be declared unconstitutional under which the last 20 million dollars of public works certificates were issued to the contractors, and on January 31, 1937, Warren Bros., the American contractors to whom a large

[18] *Wall Street Journal*, Nov. 2, Dec. 28 and 29, 1933; Sept. 30, 1936.

[19] Securities and Exchange Commission, *Report on the Study and Investigation of the Work, Activities, Personnel and Functions of Protective and Reorganization Committees*, Part V (1937), p. 186.

part of these certificates had been issued in 1930, filed a voluntary petition of bankruptcy in the Federal Court of Boston. At this time the company still held 13 million dollars of these obligations on which it was, of course, unable to collect.[20]

### DEPRESSION AND THE CESSATION OF LENDING[21]

The year 1927 marked the peak of America's foreign loan activities and the onset of the depression in some parts of the world. In Australia and the Netherlands East Indies a down-turn in business conditions was in evidence by the end of the year. This was followed by the beginning of business recession in Germany, Finland, and Brazil in 1928, and in Poland, Canada, and Argentina during the first half of 1929. All of these countries except Finland floated sizeable loans in the American market in 1927, their new borrowing in excess of repayments accounting for 59 per cent of the corresponding net total of American loans to foreigners during the year. All of them except the Dutch East Indies borrowed here in 1928, when their aggregate net borrowing amounted to 57 per cent of the total.

By 1929 American lenders were becoming somewhat skeptical concerning the foreign situation, and more selective in their purchases of new foreign issues. Of the countries listed in the paragraph above, only Canada floated any considerable volume of new foreign loans in the United States. Brazil obtained a relatively small net sum. The Dutch East Indies were entirely out of the picture, and the rest made small net repayments on earlier loans.[22]

[20] *New York Times*, Nov. 15, 1936; Feb. 1 and 2, 1937.

[21] A fuller description of this period is given in Brookings Institution, *The Recovery Problem in the United States* (1937), Chap. II; and in John T. Madden and Marcus Nadler, *The International Money Markets* (1935), Chaps. III and IV.

[22] Detailed figures for all countries are given in App. E, pp. 619-29.

To tide over what appeared to be a temporary congestion in the market for foreign securities, there was a considerable increase in the so-called "commercial" or short-term credits extended to the banks and business enterprises of various debtor countries. At the end of 1926, for example, the foreign indebtedness of the German banks alone on acceptance credits, deposits, advances, overdrafts, and other short-term account, amounted to about 870 million dollars. By the end of 1929 this had been increased to more than 2 billion dollars. With similar obligations of German business houses and government corporations included, the corresponding totals are 2 billions in 1926, increased to roughly 3 billions in 1929.[23]

In October 1929 came the catastrophic decline in security prices on the New York Stock Exchange, giving notice that the era of prosperity was ending. There was a temporary revival of foreign lending in 1930, but new loans in excess of repayments in 1930 amounted to considerably less than half as much as in 1927. The year 1931 marked the beginning of debt service defaults in many countries, and the cessation of foreign lending except for refunding. In fact, from 1931 forward, repayments of principal on foreign loans were considerably greater than new advances, even though many earlier issues were in complete default.

Following the break in the stock market there was a sharp acceleration of the existing downward movement of prices for basic foodstuffs and raw materials. This affected the bulk of the goods produced and exported by many of America's debtors. By the middle of 1930,

[23] *Wirtschaft und Statistik*, No. 22, 1930, p. 891. Practically the same figures were given by W. W. Aldrich, president of the Chase National Bank, in his testimony before the Senate committee investigating the sale of foreign bonds or securities in the United States (p. 409).

for example, the world price of coffee was 44 per cent below the average for 1928, involving serious difficulties for Brazil and Colombia. A 32 per cent decline in the price of sugar spelled trouble for Cuba. Petroleum dropped 31 per cent, affecting the production and exports of Colombia, Venezuela, Peru, and the Dutch East Indies. Countries of the Middle East were also affected by a 43 per cent reduction in the price of crude rubber. Australia's principal exports, wool and wheat, were down 38 and 28 per cent respectively, with the wheat price decline also a matter of primary importance in the Argentine. Bolivia's principal export, tin, was down 40 per cent; and silk, Japan's principal raw material export, 29 per cent. Prices of manufactured goods also showed declines, but of smaller proportions.

With the volume of American lending greatly curtailed, and with other capital markets practically closed to them, the debtors had to rely principally on their export trade for meeting interest and amortization on earlier borrowing. Under existing price conditions this became more and more difficult, for the quantity of goods required to meet a given payment steadily increased as prices fell. In their efforts to obtain funds for various foreign payments required of them—including the cost of imports and foreign debt service—the debtors reduced their purchases of imports and attempted to force an expansion of exports by price reductions and other methods.

Meantime the growth of the Nazi movement in Germany (as indicated by the October 1930 election) and the conclusion of a customs agreement between Germany and Austria (announced March 11, 1931) led to uneasiness and considerable political resentment on the part of foreign creditors who had bank deposits and other short-

term credits placed in the two countries. A withdrawal of these short-term funds followed, particularly by French investors, that soon brought about a collapse of the Austrian financial system. Notice was first directed to the existing situation in May 1931, when it was revealed that the Kreditanstalt was in difficulty—the largest banking institution in Austria, and one that had never failed to earn its dividends since its establishment in 1857. Its closed accounts for the year 1930 having shown a loss equal to its entire capital, the bank applied for assistance from the Austrian government and Austrian National Bank. While the desired help was promptly given, this did not suffice to reassure foreign creditors.

A "run" on Austria began that rapidly spread to Germany and later to London and to the United States. By the end of July 1931 foreign credits to German banks had been reduced to 1,294 million dollars as compared with their 1929 peak of 2 billion dollars. The Hoover moratorium, suspending all reparation and war debt payments for one year, was proposed June 20, 1931 and went into effect on the sixth of the following month. By that time, however, the situation was entirely out of hand and world-wide financial chaos was unavoidable.

The governments and financial institutions of all nations involved made tremendous efforts to restore confidence and allay the fears of creditors throughout the world. The Bank of England immediately extended a credit of about 21 million dollars to the Austrian government and later, with the cooperation of the Bank of France, the Federal Reserve Banks, and the Bank for International Settlements, extended joint credits to Austria, Hungary, and to the German Reichsbank. Foreign short-term creditors of Germany and Austria agreed to "standstill" arrangements under which with-

drawals of certain of their funds were either suspended or reduced to a minimum.

As a protection against wide fluctuation in exchange rates and against loss of their dwindling resources of gold and foreign exchange, five countries during the first eight months of 1931 imposed governmental control over foreign exchange transactions. By the end of that year the number had been increased to 21, and to 27 during 1933 when the United States was added to the list. Various countries declared transfer moratoria, making it unnecessary or impossible for any debtors to provide foreign currencies for meeting their payments outside the country, though deposits in domestic currency were placed with designated local banks to the account of the foreign creditor. In many cases, even transfers of payment for current imports of goods or services were prohibited, so that international trade resulted in a certain amount of forced foreign loans. A very few cases of outright default on foreign dollar loans occurred during the latter part of 1930, covering a small fraction of 1 per cent of the total outstanding. During the next three years the list of such defaults grew rapidly. The first half of the 1930's thus brought the world to much the same impasse that had existed somewhat less than a century before. The creditors would not lend, and many of the debtors could not pay. But during that time America had shifted her position. The defaulting debtor nation of the 1840's had become the distressed creditor of the 1930's.

One other important difference existed in the world situation of the two centuries. When the Hoover moratorium on war debts and reparations came to an end, small token payments were made by some governments on their obligations to the United States government, followed shortly by complete cessation of payments ex-

cept on the small debt due from Finland. In an effort to put pressure on the debtors, the Johnson Act was passed April 13, 1934, prohibiting new lending to countries whose governments were in default on war debt account. Thus far the law has probably exerted little influence on the volume of foreign lending, for the American public is still suffering from the hangover of its earlier spree and has little appetite for new loans. In the second week of March 1937, however, this law closed the American market to a French government issue. In general it provides a legal padlock against the future, and as such will have to be reckoned with both here and abroad.

## FOREIGN DOLLAR LOANS

During the five years 1925-29 about 5.1 billion dollars of foreign dollars loans were taken in the United States, of which a little more than a half billion were for terms of five years or less, and 4.6 billions for terms of more than five years. Loans paid off in full and sinking fund repayments during the five years amounted to 2.1 billions, leaving 3.0 billion dollars as the net amount of new dollar loans extended. During the succeeding six years, 1930-35, foreign dollar loans taken in the United States, largely for refunding purposes, amounted to 1.4 billion dollars. Earlier issues paid off and cancelled amounted to 2.4 billions, par value, thus reducing American holdings of foreign dollar loans by a little more than 1 billion dollars.

The net amounts loaned or repaid annually during these eleven years are shown below, in millions of dollars, with short and long-term loans shown separately.[24]

[24] These figures are exclusive of bank credits, bank deposits, and commercial credits. They include as many privately placed new issues as we have been able to identify.

| | Short Term | Long Term | Total |
|---|---|---|---|
| 1925 | −66.8 | 779.3 | 712.5 |
| 1926 | −38.0 | 724.0 | 686.0 |
| 1927 | −70.7 | 1,081.4 | 1,010.7 |
| 1928 | −83.6 | 760.8 | 677.2 |
| 1929 | −33.7 | −67.3 | −101.0 |
| 1930 | 65.4 | 471.6 | 537.0 |
| 1931 | −29.7 | −146.7 | −176.4 |
| 1932 | 48.3 | −332.6 | −284.3 |
| 1933 | −53.4 | −254.7 | −308.1 |
| 1934 | −86.6 | −452.6 | −539.2 |
| 1935 | −14.6 | −216.3 | −230.9 |

During the five years 1925-29, there were 10 countries whose new loans exceeded their repayments by as much as 100 million dollars each. They are listed below in the order of the net total taken on short and long-term loans combined, with the amounts borrowed shown in millions of dollars.

| Country | Short Term | Long Term | Total |
|---|---|---|---|
| Germany | 13.2 | 829.3 | 842.5 |
| Canada[25] | −152.0 | 522.8 | 370.8 |
| Italy | −13.3 | 311.0 | 297.7 |
| Australia | — | 217.6 | 217.6 |
| Chile | 5.4 | 178.8 | 184.2 |
| Argentina | −75.4 | 256.1 | 180.7 |
| Brazil | 1.8 | 176.2 | 178.0 |
| Colombia | −3.7 | 154.5 | 150.8 |
| Japan | −8.6 | 156.8 | 148.2 |
| Poland | — | 102.1 | 102.1 |

For this group, net new borrowing aggregated 2.7 billion dollars in the five years that marked the peak of American lending. For 29 other countries whose new borrowings exceeded their repayments on earlier issues, the net total of dollar loans taken in the American market was 685 million dollars.

Debtors in 7 other countries repaid more than they

[25] And Newfoundland. Data tabulated here are from pp. 619-29.

borrowed during the period, repayments in excess of new borrowing amounting to 372 million dollars. The amounts repaid by 4 of these are shown below, in millions of dollars.

| Country | Short Term | Long Term | Total |
|---|---|---|---|
| Great Britain . | 7.5 | 148.4 | 155.9 |
| France . . | 1.2 | 100.8 | 102.0 |
| Switzerland . . | 20.0 | 46.8 | 66.8 |
| Netherlands . . | — | 40.0 | 40.0 |

For the other 3 countries, net repayments ranged from $200,000 to 4.6 million dollars, and aggregated 7.6 millions.

During the six depression years beginning with 1930, the 5 countries whose net repayments bulked largest were as follows, with net repayments shown in millions of dollars:

| Country | Short Term | Long Term | Total |
|---|---|---|---|
| Germany . . | 8.9 | 181.8 | 190.7 |
| France | 1.0 | 185.1 | 186.1 |
| Dutch East Indies | — | 150.0 | 150.0 |
| Great Britain . | — | 122.9 | 122.9 |
| Italy . | — | 75.4 | 75.4 |

Aggregate repayments in excess of new loans for this group amounted to 725 million dollars. Thirty-two other countries scaled down their dollar loans during these years, their net repayments ranging from $100,000 to 59 millions, and aggregating 383 million dollars. Only 5 countries were borrowers on balance, their net new borrowing ranging from 6.6 millions to 37 millions, with an aggregate for the group of 95 million dollars.

At the close of 1929, foreign dollar loans originally issued in the United States and still outstanding had increased to 7.3 billion dollars, as compared with 4.4 billions at the close of 1924. By the close of 1935 the aggregate amount outstanding had been reduced to 6.3

billions. Loans repatriated but not cancelled further reduced the amount of these bonds in the hands of American investors.

### SHORT-TERM CREDITS

In 1929, when it appeared that the public demand for foreign securities had been "temporarily" satiated, there was an increase in the short-term credits which American banks and industries advanced to foreign banks, corporations, and governments. There were further increases in 1930 when a short-lived revival of interest in foreign securities promised an early opportunity for funding such credits, and when it was thought that the situation in Germany might be improved by such financial assistance.

Twice in the course of these two years Germany experienced a withdrawal of funds by French banks: once in 1929 during the negotiation of the Young Plan, when this means was taken of weakening German resistance to certain French proposals, and again in 1930 when the economic union with Austria was arranged. To some extent the losses of French funds were offset by new credits advanced by American bankers who saw America's large portfolio of German loans endangered by the weakened financial position of Germany. With the credit collapse of 1931, however, American banks and industries, like those of other countries, drew down their foreign credit balances as rapidly as possible.

When an inventory was taken of the German credit position in the latter part of 1931, it was found that about a third of the 2.5 to 3 billion dollar foreign indebtedness of the country on short-term credit account was due to Americans. Something like 650 million dollars were payable to American banks and 250 to 350 millions to other American creditors. At about the same

time short-term credits due from private banks in Hungary amounted to 40 million dollars and from other private concerns in Hungary probably 30 millions; from the Kreditanstalt of Austria 30 million dollars, and from other Austrian banks and business concerns probably 25 millions; from the government of Chile 22 millions or more, the government of Colombia 16 millions, and the government of Peru at least 1.4 millions. At the beginning of the year the total due from all countries amounted to about 1,802 million dollars, reduced to 1,239 millions by the end of the year.[26]

The imposition of exchange controls during 1931 prevented further rapid repatriation of these balances. Agreements negotiated by the creditor banks of various countries and their debtors, particularly in Germany, Hungary, and Austria, eventually permitted a slow liquidation of a share of the credits advanced by American banks. American business concerns, not a party to the standstill agreements arranged by the bankers, also in the course of time succeeded in drawing home some of their foreign funds.[27]

At the close of 1935, the outstanding total due from foreigners to American bankers and dealers in securities was reported at 853 million dollars, reduced to 724 millions by the middle of 1937.[28]

[26] *Wall Street Journal*, June 5 and Dec. 17, 1931; Securities and Exchange Commission, *Report on the Study and Investigation of the Work, Activities, Personnel and Functions of Protective and Reorganization Committees*, pp. 535, 551, 560; U. S. Dept. of Commerce, *The Balance of International Payments of the United States*, 1934, p. 43. In 1933 short-term credits due from the Chilean government to Americans amounted to 65 million dollars.

[27] The German standstill agreements are discussed at length in C. R. S. Harris, *Germany's Foreign Indebtedness* (1935).

[28] U. S. Treasury Dept., *Statistics of Capital Movements*, January 1935 through September 1936 (1936), pp. 39, 52; *Report No. 4* (1937), p. 9. These figures exclude the commercial credits not included in figures reported by the banks.

In 1929, when the fever of foreign lending had practically run its course, American investors held 7.8 billion dollars of all foreign securities. With short-term credits included the amount stood at 9.4 billion dollars, as compared with 5.4 billions in 1924, and with less than 1 billion in 1914. Thus, during the half decade that ended with 1929 American investors and speculators acquired as large a volume of the securities and less formal credit instruments issued by foreign governments and corporations as in the preceding decade. However, the War and reconstruction period 1915-24 still held the record for large foreign lending, for in addition to the securities taken by the public, it accounted for 11.8 billion dollars of loans made by the United States government to foreign governments.

By 1935, the cessation of lending, the amortization of some loans, and the repatriation of others, had reduced the American portfolio of foreign securities to about 5.6 billion dollars, and with short-term credits included, the aggregate stood at about 6.5 billions. Since 1935 the total has been further reduced, and at the close of 1937 probably is not far from the 1924 level. These figures include foreign bonds at par values. If account were taken of the depreciation in their market value, the total would be well below that for 1924.

# CHAPTER XIX

# FOREIGN LOANS IN DEFAULT

A century ago, after a period of large-scale foreign lending, Great Britain was confronted with an epidemic of defaults that led many to query whether the gains were in any wise proportionate to the losses. At the present juncture, the United States is faced with a similar situation. Of the existing foreign bonds that were originally issued here during the prosperous twenties, around 35 to 40 per cent are now in default. In addition, payment has been suspended on practically all of the foreign government obligations that are held by the United States government. The enthusiasm with which the nation viewed its rapidly expanding foreign assets in 1929 and earlier years has disappeared. Many investors, acting through protective committees, are negotiating with their foreign debtors, hoping that satisfactory terms can be arranged for the resumption of payments. Many others have sold their defaulted foreign bonds for what they could get, and since then have restricted their security purchases to the issues of American borrowers.

## THE COURSE OF THE DEFAULTS[1]

Defaulted foreign bonds are not an entirely new phenomenon to American investors. The Mexican Revolution of 1911 and subsequent political disorders, together with depression conditions in 1914, brought about suspension of payments on Mexican obligations in 1913 which, by the end of 1914, covered practically all of the

[1] This section of the chapter is based principally on John T. Madden, Marcus Nadler, and Harry C. Sauvain, *America's Experience as a Creditor Nation* (1937), pp. 105-20, and the *Institute of International Finance Bulletin No. 70* (1934).

161 million dollars of Mexican bonds then held in the United States. The rest were in default by the end of 1915. The Russian Revolution resulted in the repudiation of some 104 million dollars of Russian securities held in the United States: 29 millions of pre-war securities sold here, and 75 millions loaned to Russia in 1916. By 1922, revolution in China had brought all of that country's American-owned obligations into default except the 1911 sterling issue of the Hukuang Railway, defaulted Chinese loans in American hands aggregating about 17 million dollars. In 1924 and 1925 two Brazilian states were unable to meet their interest payments promptly on loans issued two years earlier, and by 1929 were in complete default—the aggregate amount outstanding on the two loans being 4.7 million dollars. Thus by 1929 the defaulted issues included in the American portfolio of foreign loans amounted to about 287 million dollars,[2] no account being taken of accumulated interest.

Following Bolivia's failure to meet sinking fund charges in December 1930, defaults during the depression period spread rapidly throughout Latin America. Peru announced its inability to pay in March 1931, followed shortly by similar action on the part of Peruvian provincial and municipal governments. The Chilean government suspended service on its foreign debts in July, and by the end of the month had imposed exchange restrictions that prevented the transfer of funds on the foreign obligations of all Chilean public and private

[2] In 1927 a Czechoslovak corporation failed to meet interest charges on a 4 million dollar loan sold here in 1925, and in 1928 settled with the bondholders for 45 per cent of the face of the loan in cash and an additional 5 per cent promised in the future under certain conditions. Madden, Nadler, and Sauvain also mention defaults by several Cuban sugar companies and by some Canadian corporations, but in the main these were American-controlled companies (*America's Experience as a Creditor Nation*, p. 109).

corporations. Defaults in Brazil began in October 1931, and by the end of 1932 included all Brazilian government bonds—national, state, and local—with one exception. Uruguay and its capital city, Montevideo, were in default on their dollar loans in the early part of 1932. Colombia and the Central American republics were added to the list the same year. By the end of 1933 Cuba had suspended interest on the large outstanding total of public works loans, and in April 1934 discontinued sinking fund payments on the entire external debt. In fact, by the end of 1933 practically all Latin American loans were in default, the governments of Argentina and Haiti, of one Argentine province and two Argentine municipalities being the exceptions.

In Europe, 1932 was the year of big defaults, if we reckon in terms of the number of countries involved. Defaults began the first day of the year with non-payment of sinking fund on the Hungarian municipal 7 per cent loan, following the Hungarian government's 1931 moratorium decree against the transfer of funds for foreign debt service. One Hungarian government loan was exempted from the provisions of this control, the League of Nations' loan of 1924 on which payments were transferred in full until 1934, and thereafter interest payments were continued at half the original rate. In the spring of 1932 Greece and Bulgaria made only partial payments on their League of Nations' loans, and during the next three years progressively reduced the proportions they transferred in foreign currencies. In June Austria declared a transfer moratorium under which foreign debt payments were deposited in schillings with Austrian banks but not remitted to bondholders outside the country. This affected all external issues except the government's League of Nations' loan of 1923 on

which debt service was not interrupted.[3] Yugoslav loans were also added to those in default in 1932. The huge Swedish company of Kreuger & Toll was unable to meet interest charges falling due after the suicide of Ivar Kreuger in the spring of the year, and in Denmark the shipbuilding company of Burmeister & Wain was declared bankrupt and defaulted on its dollar loans.

In terms of the number of issues affected, 1933 was the peak of the movement. Some 116 or more German issues, with an aggregate face value of more than 800 million dollars, were forced into partial default by the Reichsbank's ruling at the middle of the year that permitted the transfer abroad of only half the interest due on foreign obligations. The transferable portion was subsequently reduced and in 1934 Germany discontinued all cash payments on all dollar loans, including the Dawes and Young loans that had been exempted from the general transfer regulations until 1934. Payments on Rumanian issues were suspended in 1933 and 1934. The city of Carlsbad, Czechoslovakia, defaulted on its small dollar loan in 1934, and in 1936, when the worst seemed to be well past, the Polish government suspended payment on its stabilization loan of 1927, with other Polish loans defaulting as they fell due in the latter part of 1936 and in January 1937.

Except in Europe and Latin America, foreign borrowers have been able to maintain payments on practically all loans. Some few Canadian municipalities and corporations have been the exceptions. In particular, the province of Alberta on May 30, 1936 cut the interest rate in half on all of its debts except those carrying a

[3] A year later, 1933, payments were resumed on the government's external issue of 1930, and all the arrears paid in full; and in 1935 the moratorium was lifted, with a subsequent transfer of the deposits to foreign account that had accumulated in schillings.

rate of 3½ or 3 per cent—on which the rates were reduced to 2 per cent. Later in the year Alberta municipalities, principally Calgary and Edmonton, were considering the advisability of similar reductions in interest payments on their obligations.

The course of the defaults is summarized below in terms of the aggregate face value of the foreign dollar loans that suspended interest payments during the six years 1931-36.[4]

| Calendar Year | New Defaults (Aggregate face value) |
|---|---|
| 1931 | $ 521,957,500 |
| 1932 | 826,144,200 |
| 1933 | 1,145,503,700 |
| 1934 | 211,744,100 |
| 1935 | 2,787,000 |
| 1936 | 85,921,900 |

Of the Polish loans that suspended payment in 1936, the American-owned portion aggregated $38,871,000; and of the new defaults that occurred in 1937, $53,818,000 had originally been loaned by Americans. Alberta loans held in the United States in 1936 amounted to about 44.5 million dollars,[5] all of which were affected by the reduction in interest rates. Holdings of the bonds of Alberta municipalities, on which

[4] Madden, Nadler, and Sauvain, *America's Experience as a Creditor Nation*, p. 124. *Institute of International Finance Bulletin No. 93* (1937), p. 5. The authors explain that the sum of these amounts is larger than the total in default at the end of 1936 when the outstanding amount of some of the bonds had been reduced and some issues had resumed payment after a period of default. As pointed out on p. 618, the list of loans included in their computations differs somewhat from the list we have compiled and used in discussions of America's war and post-war loans to foreigners.

[5] The figures given here differ from those published by the *Institute of International Finance Bulletin No. 93*, p. 4, in that they include two Polish loans privately taken in the United States and exclude the foreign portions of the publicly issued Polish and Alberta loans.

reductions in interest rates were under consideration, amounted to 8.6 million dollars.

## CAUSES OF DEFAULT

The immediate cause of the defaults on foreign bonds was the world depression, which enormously increased the burden of such obligations. The fall in commodity prices and the accompanying shrinkage in the volume of world trade and productive activity reduced the earnings of foreign corporations and the revenues of national and local governments. It also reduced the inflow of payments the debtor countries received for their exports. Meantime, interest and sinking fund charges on the debts remained fixed in accordance with the terms of the original loan contracts. It became increasingly difficult, therefore, for the debtors to obtain sufficient earnings or revenue to service their debts. In most cases it was even more difficult for them to transfer payment to the United States; that is, to exchange the domestic currency they had for the dollars in which they were required to pay their American obligations. Defaults followed inevitably. However, the depression furnishes only a partial explanation in most cases.

Factors inherent in the terms and conditions of the loans themselves and in the peculiar political and economic situation of some of the countries would have made the maintenance of debt payments extremely difficult in a few years, even had there been no recession in world business.

1. Increasing restrictions on imports by some creditor countries in the post-war period made it difficult for the debtors to obtain the foreign exchange necessary for the payment of their foreign debts. During the war the physical volume of trade had been regulated directly by

government action, and similar restrictions continued in force until 1921, when customs tariffs were again employed, as in pre-war times, as the principal method of regulating foreign trade. Post-war tariffs, however, were in many cases fashioned with a view to promoting economic self-sufficiency at the expense of foreign trade. In an effort to check this tendency, the League of Nations called a World Economic Conference, which met in 1927. Some progress was made temporarily, but in the latter part of 1928 and 1929 the movement for higher protection was again under way, and in 1930 the United States passed the Smoot-Hawley Tariff Act, increasing American tariff rates considerably. These new "trade barriers" in themselves threatened to cut down the world's production and exchange of goods and services and to unsettle international credit relations.

2. Certain countries largely dependent on one or a few principal products experienced difficulties because of changing world conditions with regard to their products. A few cases will illustrate. Chile before the World War had enjoyed a monopoly in the production of nitrate and its by-product, iodine. Export taxes on these two commodities provided the government with 70 per cent of its budget receipts in 1911 and with 92 per cent in 1913.[6] By the end of the War, however, the world's chemical industry was providing a strongly competing supply of synthetic nitrogen compounds. By 1930 American chemists were producing iodine from salt water obtained from California oil wells. The result was that the Chilean government's receipts from the export tax on nitrate and iodine fell from 32.8 million dollars in 1913

[6] H. Foster Bain and Thomas Thornton Read, *Ores and Industry in South America* (1934), p. 247. C. Reginald Enoch, *The Republics of Central and South America* (1913), pp. 326, 337. The decline in the Chilean nitrate industry is considered on pp. 259-62 above.

to 28 millions in 1923, and to 22.6 millions in 1930. Technological changes outside the country's control had destroyed its monopoly and had unbalanced its national budget and international trade and service accounts. The expansion in other Chilean industries during these years, including the foreign-owned copper mining industry, fell far short of providing sufficient wealth and taxable capacity to offset the loss on nitrate revenues. Foreign competition, fostered by tariffs and quota systems, was making trouble for other one-commodity countries.

The coffee industry, which had accounted for 60 per cent or more of Brazil's export trade before the War and for 70 to 75 per cent in the late 1920's, was in serious difficulty in 1930 because of world overproduction. Benefiting from a long series of control measures in Brazil under which price fluctuations had been moderated, Colombia and Central America had rapidly increased their output. Brazilian production had also increased, but the proportion of the world's coffee exported from that country declined from 75 per cent or more at the turn of the century to an average of 66 per cent in the years 1925-29. The world crop for 1930 was a tremendous one, creating such a large surplus in Brazil that in the "orderly marketing" of the crop the amount destroyed was two-thirds greater than the amount exported. Whether under normal world conditions a breakdown in the service of the Brazilian foreign debt could have been avoided is an open question.

The difficulties faced by the Cuban sugar industry have been referred to on pages 268 to 276 above.

3. In many cases the loan investigations apparently ignored the relationship between new issues and the amounts of foreign capital already invested in the borrowing country. For example, when loans were extended

to German banks the lenders carefully analyzed the statement of the particular borrower, but in many cases did not take account of the total of Germany's foreign obligations.[7] Yet it was the enormous total of the country's foreign indebtedness, and not the borrowing of any particular bank, that was responsible for the standstill agreements between the German banks and their foreign creditors.

A second illustration is furnished by the prospectus for a loan to Colombia in 1928. It calls attention to the large American investment in Colombian mining, oil, fruit, and livestock, and also gives trade figures for the years 1922-27. It fails to point out, however, that with the fairly close balance existing between imports and exports, the foreign exchange problem for Colombia would become difficult in years when foreign companies stopped expanding their investments in the country and transferred a considerable share of their earnings abroad. For example, by 1927 oil from a Standard Oil of New Jersey subsidiary accounted for approximately 20 per cent of the total value of Colombian exports, and bananas shipped by the United Fruit Company accounted for an additional 5 per cent. If proceeds from as much as half of these companies' shipments had been kept in the United States in 1927—for dividend payments, management costs, and investment purposes—the foreign exchange available for meeting Colombian import payments would have been reduced considerably below requirements. As a matter of fact, the immediate cause for the break in Colombian exchange and the imposition of exchange controls in 1931 was the withdrawal of short-

[7] From the testimony of W. W. Aldrich, president of the Chase National Bank, 72 Cong. 1 sess., *Sale of Foreign Bonds or Securities in the United States*, Hearings on S. res. 19 before Senate Committee on Finance, p. 413.

term funds from Colombia by various American investors.[8]

Similar information concerning trade and foreign investments was furnished American bankers in connection with a Peruvian loan issued early in 1928. In this case also, no mention was made either by the borrowers or by American bankers of the effect of existing American investments in the Peruvian mining and oil industries on the country's ability to meet payments on the new loan. At the time ores and concentrates, metal bars, and petroleum products made up 55 to 60 per cent of the country's exports. They were produced almost entirely by foreign companies, principally American. The proceeds from a considerable share of these exports actually were not returned to Peru, and therefore were not available for the transfer of payments on foreign loans.[9]

Chile's principal exports are produced by foreign capital. In 1929 nitrate and copper exports amounted to 240 million dollars, but it has been estimated that of this amount only 60 million dollars remained in Chile or was returned there.[10]

4. The terms on which some of the loans were made were onerous enough to forecast probable default. Some outstanding cases are summarized in the table on page 408, which is based on data given in the hearings of the Senate committee investigating the sale of foreign securities in the United States. The list is far from complete, however. Many issues sold in the United States

[8] The same, pp. 1153, 1636. As a matter of fact, these two companies were exempted from the foreign exchange restrictions imposed in 1931, except that the fruit company was required to sell a certain amount of dollar exchange to the Central Bank of Colombia. *Institute of International Finance Bulletin No. 82* (1935), p. 12.

[9] *Sale of Foreign Bonds or Securities in the United States,* Hearings pp. 1546-49. In 1935 these exports constituted 59 per cent of the total.

[10] Standard Statistics bond card.

were not included in the Senate committee investigation, and for most of the issues thus omitted, the prices that bankers paid for the loans have not been published.[11] Even the lists published in the hearings of the committee give very incomplete information on this point.

Foreign Loans Costing 8¾ Per Cent or More Annually for Interest[a]
In Terms of the Rate to Maturity
(Based on nominal rate, price to bankers, and length of life of each issue)

| Borrower | Term | Face (Thousands) | Price to Public | Price to Banker | Interest Rate | |
|---|---|---|---|---|---|---|
| | | | | | Nominal | To Maturity |
| Austria: | | | | | | |
| Lower Austria Hydroelectric | 1924–44 | $3,000 | 85 | 68.7 | 6½ | 10 2 |
| Province of Lower Austria | 1926–50 | 2,000 | 98½ | 87 | 7½ | 8.8 |
| Tyrol Hydroelectric | 1925–55 | 3,000 | 96½ | 81½ | 7½ | 9.3 |
| Colombia: | | | | | | |
| Antioquia (Dept.) | 1925–45 | 3,000 | 90 | 83 | 7 | 8.8 |
| Barranquilla (City) | 1925–35 | 500 | 99 | 86 | 8 | 10 3 |
| Barranquilla (City) | 1925–40 | 500 | 100 | 86 | 8 | 9.8 |
| Barranquilla (City) | 1926–46 | 500 | 101 | 88 | 8 | 9.3 |
| Barranquilla (City) | 1928–48 | 500 | 102 | 89 | 8 | 9.2 |
| Bogota (City) | 1924–45 | 6,000 | 98 | 89 | 8 | 9.2 |
| Caldas (Dept.) | 1926–46 | 6,000 | 95½ | 83½ | 7½ | 9.3 |
| Caldas (Dept.) | 1926–46 | 4,000 | 98 | 85 | 7½ | 9.1 |
| Cauca Valley (Dept ) | 1926–46 | 2,500 | 96½ | 83½ | 7½ | 9.3 |
| Medellin (City) | 1923–48 | 3,000 | 98 | 90 | 8 | 9.0 |
| Czechoslovakia: | | | | | | |
| Brunner Turbine & Equipment Co. | 1925–55 | 3,500 | 95¾ | 82¼ | 7½ | 9.2 |
| Czechoslovak government | 1922–51 | 14,000 | 96½ | 90 | 8 | 9 0 |
| Czechoslovak government | 1924–52 | 9,250 | 96½ | 91 | 8 | 8 9 |
| Greater Prague | 1922–52 | 7,500 | 92½ | 86½ | 7½ | 8 8 |
| Germany: | | | | | | |
| City of Munich | 1925–35 | 8,700 | 96¾ | 88¼ | 7 | 8.8 |
| Good Hope Steel and Iron Works | 1925–45 | 7,500 | 91 | 83 | 7 | 8.8 |
| Good Hope Steel and Iron Works | 1925–45 | 2,500 | 92 | 83 | 7 | 8.8 |
| Hamburg Electric Co. | 1925–35 | 4,000 | 95½ | 87.8 | 7 | 8.9 |
| Leonhard Tietz | 1926–46 | 3,000 | 97 | 83 | 7½ | 9.4 |
| Oberpfalz Electric Power Corp. | 1925–45 | 1,250 | 97½ | 82.3 | 7 | 8.9 |
| Greece: | | | | | | |
| Greek government | 1925–52 | 11,000 | — | 85 | 8 | 9.6 |
| Hungary: | | | | | | |
| Consolidated Cities | 1925–45 | 10,000 | 89 | 81½ | 7½ | 9.6 |
| Kingdom of Hungary | 1924–44 | 7,500 | 87½ | 80 | 7½ | 9.8 |
| Japan: | | | | | | |
| Great Consol. Electric Power | 1924–44 | 15,000 | 91½ | 80 | 7 | 9.2 |

[a] See footnote 12, p. 409.

The table includes loans on which the interest rate to date of maturity was 8¾ per cent or over, reckoned

[11] Canadian loans are the exception since the *Monetary Times* as a rule currently gives information concerning the prices that Canadian municipal and provincial governments receive for their loans.

in terms of prices the bankers paid for the loans. This rate takes account of the nominal interest rate, the price paid by the bankers, and the length of life of a loan.[12] Amortization charges are not included in the interest rate, of course, but they represent an additional annual charge against the budget of the borrower. The greater number of the loans listed on page 408 are for twenty years' duration, involving an annual amortization charge of some 5 per cent or less, depending on the way repayments are handled. This was a much heavier amortization charge than was borne by American railways on loans contracted in Europe before the War, when loans for 50 to 100 years were the rule and some were extended for as long as 150 to 200 years. With interest and amortization charges both included, the annual cost of servicing the loans amounted to 12 to 15 per cent of the borrower's original receipts.

In the case of European countries, these loans were not made to new and growing countries for the exploitation of virgin resources, as had been the case with loans to the United States in the nineteenth century. They were made to countries already intensively developed, notably to Germany, where the earnings on capital were relatively low.[13] Moreover, the underlying purpose of loans to Germany and other central European countries was to facilitate the rebuilding of these countries so that they could eventually meet reparation obligations in addition to the servicing of their loans.

5. Because of the keen competition for loans, underwriting houses sometimes showed a lack of discrimina-

[12] Prices received by the borrowers were a point or two points below the prices paid by the borrowers, and the interest rates to the borrowers were roughly 0.25 per cent higher than those shown in the table.

[13] The rate on a great number of the German loans fell between 8½ and 9 per cent.

tion in their choice of new issues. Some concrete instances are cited by Dr. Max Winkler:[14]

> . . . a prominent local banking firm (in 1925) sold . . . an issue of bonds on behalf of a certain South American republic, bearing interest at the rate of 6½ per cent and offered for public subscription at 97. Another bond of the same country, equally well secured, could be purchased on the European exchanges at 58, carrying a 6 per cent coupon.
>
> Early in 1926, there was offered in this market a 7 per cent bond issue of a European corporation at fractionally below par. The company is of a substantial character and its loans are favorably regarded. However, an issue of the same company, traded in on the home market but payable as to principal and interest in United States currency, was selling at that time at 66 per cent, bearing a 6 per cent coupon.

The Argentine province of Mendoza was able to borrow 6 million dollars in the United States in 1926 while actually in default on foreign debt interest and sinking fund payments for several earlier years, though currently meeting such charges. The Brazilian state of Parana, whose debt record was far from satisfactory, obtained a 5 million dollar loan in the United States the same year.[15]

6. The taint of bribery and illegality with which some loans were affected augured ill for the future, as was shown by certain loans to Peru and Cuba discussed on pages 377 and 383-87 above.

7. In one unique case, a foreign swindler with a magnetic personality was able to obtain almost a quarter of a billion dollars from the American public, involving them in the loss of something like 85 per cent of that amount.[16] Having built up a reputation for great ability and solid

[14] Max Winkler, *Foreign Bonds, an Autopsy* (1933), p. 89.

[15] The same, pp. 80-81.

[16] This summary is based on 72 Cong. 2 sess., *Stock Exchange Practices*, Hearings on S. res. 85 and S. res. 239 before a Subcommittee of the Senate Committee on Banking and Currency.

achievement, Ivar Kreuger was able to persuade his American bankers to offer his stocks and bonds in the American market without the usual audit by American accountants. At the same time, as events proved, the work of his foreign accountants for at least fifteen years was marked by serious irregularities, and their published reports were highly inaccurate.

Beginning with the first public issue of his securities in the United States in October 1923, a 15 million dollar issue of International Match Corporation debentures, one issue was added to another, until in January 1932 he obtained his last advance of American funds, a 1 million dollar bank loan due at the end of three months. A month later American accountants, acting for International Telephone and Telegraph, discovered certain misrepresentations in the contract under which that company was to acquire a substantial interest in the L. M. Ericsson Telephone Company, a Kreuger & Toll concern. Other disclosures threatened, and on March 12 Kreuger chose suicide as his way of escape. While shocked and disconcerted security holders in the United States were shouldering Swedish accountants and Swedish laws with most of the blame for their losses, the people of that country called attention to the fact that they also had invested and lost on Kreuger ventures, in large part because of their reliance on the reputation of Kreuger's American bankers.

The paragraphs above have depended largely upon illustrations for indicating the causes of the defaults in general. Limitations of time and space preclude the comprehensive analysis that would be required for showing specifically why payments were discontinued by each of the several defaulting countries. The illustrations used

have also carried the suggestion that responsibility for the defaults can not be assigned solely either to the borrowers or to the lenders, but rests on both, and sometimes also on conditions outside the control of either of the contracting parties. No attempt is made here, however, at a specific apportioning of responsibility in connection with the various defaults.

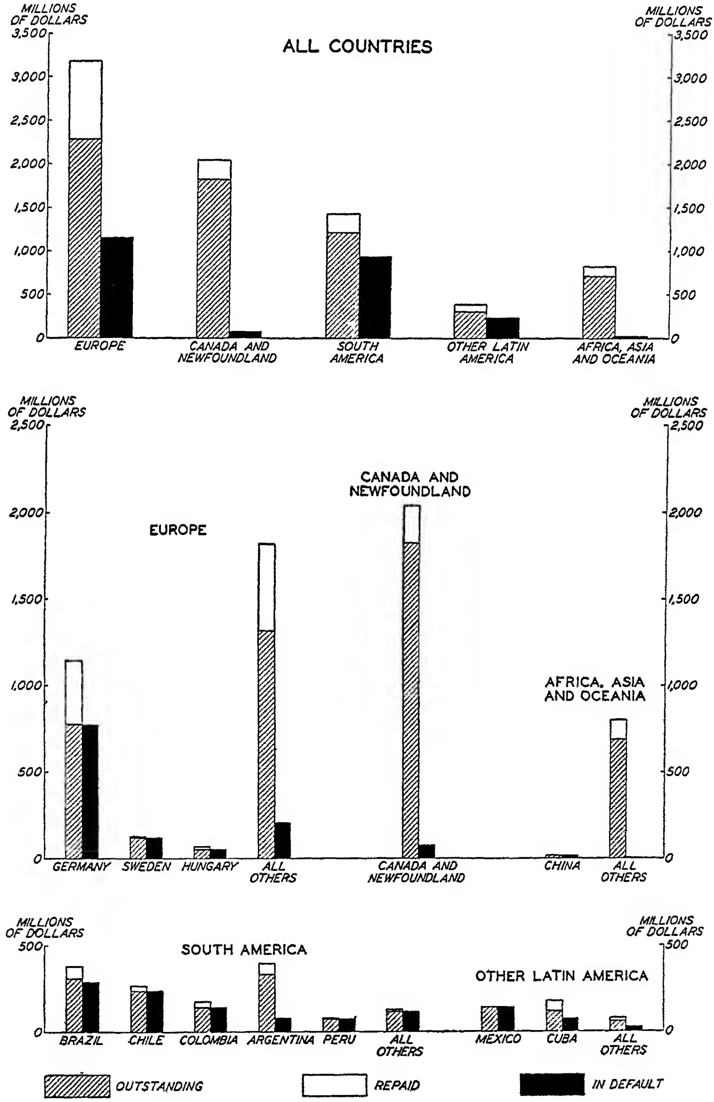
## DEFAULTED BONDS IN THE AMERICAN PORTFOLIO

Put in terms of dollars, the status of foreign dollar loans at the close of 1935 was as follows: The loans then outstanding in whole or in part represented an original (par value) total of 9.9 billion dollars issued in all markets, of which about 7.8 billions were originally taken in the United States. Of the American portion some 1.5 billions had been paid off. The remaining 6.3 billions were made up of 3.9 billions regularly serviced by the foreign borrowers and some 2.4 billions, or 38 per cent, in default. Loans completely liquidated before the close of 1935 are excluded from these figures.

Of America's portion of the defaulted loans almost half were for European borrowers, with Germany alone accounting for 32 per cent of the defaults by all countries. About 39 per cent were for South Americans, with Brazil and Chile together accounting for 22 per cent of the world total. The chart on page 413 summarizes the position of the American portion of all dollar loans outstanding at the close of 1935. It shows defaulted issues in comparison with actual amounts still outstanding, and with amounts originally issued in the American market. A little more than half of the unliquidated portion of all loans to European countries were in default; 77 per cent of those to South America, and about the same per-

## Foreign Dollar Loans in Default, December 31, 1935[a]

### Compared with Loans Outstanding, and with Repaid Portions of Existing Loans—Including Only Dollar Loans Originally Issued in the United States




[a] Data are given in the table, p. 414.

DEFAULTS ON THE AMERICAN PORTION OF FOREIGN DOLLAR LOANS, DECEMBER 31, 1935[a]
(Figures are in thousands of dollars)

| Domicile of Borrower | Amount Originally Taken in United States[b] | Status, December 31, 1935 | | |
|---|---|---|---|---|
| | | Amount Outstanding | In Default as to Interest | *Defaults as a Percentage of Amount Outstanding* |
| EUROPE | **3,172,539** | **2,277,704** | **1,152,730** | *50.6* |
| Germany | 1,146,170 | 773,628 | 770,658 | *99.6* |
| Sweden | 126,100 | 122,640 | 122,640 | *100.0* |
| Hungary | 70,100 | 53,294 | 53,294 | *100.0* |
| All other[c] | 1,830,169 | 1,328,142 | 206,138 | *15.5* |
| CANADA AND NEWFOUNDLAND | **2,044,315** | **1,826,313** | **78,334** | *4.3* |
| SOUTH AMERICA | **1,429,884** | **1,214,079** | **938,256** | *77.3* |
| Brazil | 380,820 | 310,407 | 289,358 | *93.2* |
| Chile | 266,378 | 236,157 | 236,157 | *100.0* |
| Colombia | 177,318 | 144,220 | 144,220 | *100.0* |
| Argentina | 396,844 | 333,589 | 78,815 | *23.6* |
| Peru | 80,142 | 74,143 | 74,143 | *100.0* |
| All other | 128,382 | 115,563 | 115,563 | *100.0* |
| OTHER LATIN AMERICA | **389,551** | **309,714** | **235,459** | *76 0* |
| Mexico | 138,620 | 138,620 | 138,620 | *100.0* |
| Cuba | 175,508 | 115,218 | 72,497 | *62.9* |
| All other | 75,423 | 55,876 | 24,342 | *43.6* |
| THE ORIENT AND LIBERIA | **822,145** | **708,481** | **21,756** | *3.1* |
| China | 16,756 | 16,756 | 16,756 | *100.0* |
| All other | 805,389 | 691,725 | 5,000 | *0.7* |
| TOTAL | **7,858,434** | **6,336,291** | **2,426,535** | *38.3* |

[a] The figures in this table differ from those published by the Institute of International Finance for reasons given on p. 618. No deductions are made for repatriated securities.
[b] This excludes loans completely paid off
[c] This includes "international" loans (on which there had been no defaults) shown in the tables of App. E.

centage if loans to other Latin American countries are included.

The chart and table include all dollar issues outstanding in December 1935 of which we have a record. The great bulk of them are loans issued since the outbreak of the World War. Only 4 per cent of those outstanding, and 7 per cent of those in default, were pre-war loans.[17] Foreign dollar loans still in the American portfolio at the close of 1935 amounted to something less than the

[17] This pre-war remnant included loans to five countries, of which two were in default. The figures, in thousands of dollars, stood as follows at the close of 1935:

outstanding total of the American portion of such loans. Large amounts had been bought back by the nationals of the borrowing countries and to a less extent by investors in other countries. In general, the depression had put these loans on the bargain counter. The devaluation of the dollar still further reduced the market price of the loans in terms of foreign currencies, so that foreigners found themselves able to acquire the issues of their own national and local governments and corporations at very greatly reduced prices.

Repatriations of the loans are above reproach where loans have been regularly serviced, even though foreign debtors went into the market to buy back loans they themselves had issued. This applies, for example, to the large repatriation of French, Canadian, and Dutch East Indian bonds, for there had been very few Canadian defaults by the end of 1935, and the dollar loans of France and the Dutch East Indies had been serviced strictly according to contract, that is, in current dollars at the equivalent of the old gold dollar. Severe criticism has been levied against repurchases, however, where they were made by borrowers whose loans were in default. Repatriation by Germany has been particularly

| Borrower | In Default | Outstanding | Originally Taken |
|---|---|---|---|
| Canada | — | 43,301 | 131,680 |
| Cuba | — | 15,186 | 34,908 |
| Mexico | 138,795 | 138,795 | 138,795 |
| Philippine Islands | — | 13,119 | 26,325 |
| Russia | 29,000 | 29,000 | 29,000 |
| Total | 167,795 | 239,401 | 360,708 |

These data subtracted from those on p. 414 above show the status of loans issued during and since the World War. In both cases foreign currency issues are excluded.

large, and since practically all German loans[18] have been in default since 1933, this has incurred considerable resentment. German financial authorities insist that such bond purchases have been entirely subsidiary to the nation's efforts toward export-expansion.[19] In practice, however, it may have been difficult to distinguish clearly between repatriations whose purpose was to promote "additional" exports and those made to reduce the country's foreign debt. Repurchases of Chilean and Colombian bonds have been carried through under government supervision, with foreign exchange definitely allocated to this purpose although available foreign exchange was insufficient for the regular servicing of foreign debts, and all foreign loans were in default.[20]

According to Department of Commerce calculations, such loans repurchased by foreigners and still outstanding at the close of 1935 amounted to about 1.1 billion dollars.[21] With such repurchases deducted the total still

[18] The exceptions, aside from the Dawes and Young loans, have been the loans of German corporations having assets in the United States subject to attachment. German repatriations are discussed in C. R. S. Harris, *Germany's Foreign Indebtedness* (1935), Chap. VIII; U. S. Dept. of Commerce, *Trade Information Bulletin No. 819*, pp. 89-94, and Securities and Exchange Commission, *Report on the Study and Investigation of the Work, Activities, Personnel and Functions of Protective and Reorganization Committees* (1937), pp. 497-98.

[19] By permitting exporters to take German bonds in part payment for goods, the government in effect was helping to subsidize exports, for the bonds that could be bought in the United States at low prices were selling in Germany at much higher levels. In this way German exporters were able to sell goods at a loss in the United States, and to recoup such losses from profits they realized on their bond transactions. The German government held that these bond transactions made possible additional exports from Germany that the exporters could not otherwise have afforded to sell in foreign markets. See also p. 495 below.

[20] Securities and Exchange Commission, *Report on the Study and Investigation of the Work Activities, Personnel and Functions of Protective and Reorganization Committees*, pp. 468, 498.

[21] *The Balance of International Payments of the United States*, 1934, table, p. 32.

in American hands amounted to roughly 5.2 billion dollars. Of the bonds repurchased, available data indicate that the greater part, or perhaps as much as 600 million dollars, were defaulted issues.[22] Defaulted loans still in American hands at the close of 1935 thus amounted to approximately 1.8 billion dollars.

### THE READJUSTMENT OF DEFAULTS

In the minds of the bondholders, the loan contracts guaranteed them against loss of principal or interest on their holdings. Roughly three-fourths of the foreign bonds held in the United States in 1929 were the obligations of national or local governments. Under the terms of the loan contracts, these governments had, in all cases, pledged their "good faith and credit" to the prompt fulfilment of the loan provisions. Many governments, and practically all borrowing corporations, also pledged certain types of income or certain properties as security for their loans, in some cases specifying the legal steps that the bondholders might take in order to realize on the value of such security. When default occurred, however, bondholders were rudely awakened to the fact that these protective provisions were "not worth the paper they were written on." Pledged resources were in some cases diverted to other uses, and the bondholders were barred from taking legal action, for sovereign for-

[22] Data on repatriations are given in *Institute of International Finance Bulletin No. 85*, pp. 8-9; Securities and Exchange Commission, *Report on the Study and Investigation of the Work, Activities, Personnel and Functions of Protective and Reorganization Committees*, pp. 468, 497-506; *Trade Information Bulletins No. 803*, p. 44; *No. 809*, pp. 48-50, 53; *No. 826*, pp. 30, 45, 47; *No. 833*, pp. 32, 55. A rough indication of the distribution of repatriations may be had from a comparison of data given by Madden, Nadler, and Sauvain, *America's Experience as a Creditor Nation*, p. 316, col. 4, with col. 2 of the table on p. 414 of this chapter, but close comparisons can not be made, since the data in the two tables are not strictly comparable.

eign governments cannot be sued without their consent.

Foreign private borrowers enjoy no such immunity, but performance of contract by many corporate borrowers was prevented by the exchange controls imposed by their governments. Judgments secured in American courts against these debtor corporations could not be enforced, the exception being the negligible number of corporations having assets located in the United States which therefore might be attached.

A number of European governments have given assistance to their nationals by arranging that in the trade with the debtor country, any net payments to be made—for imports from the debtor in excess of exports—should be applied to the servicing of debts. The United States was not in a position to do this since our balance of trade with most of the countries concerned is an import balance. Even in the few cases in which clearing arrangements might have been enforced by the United States, the government refused to employ such economic sanctions. In the light of later developments this appears to have been a wise decision, for trade "clearing agreements" appear to have exerted a deleterious effect on the foreign trade of the countries that employed this means of collecting foreign payments. The employment of armed force was not considered.

With other courses of action closed to them, the bondholders found that negotiations with the debtors provided the principal means of arranging for the resumption of payments on defaulted obligations. It is obvious that such negotiations could not be carried on by the bondholders acting individually, and that the situation called for group action. To this end, protective committees were employed. The initiative for forming some committees was taken by the banking houses that had

originated the defaulted loans. So organized, however, the committees have in some cases worked to the serious disadvantage of the bondholders represented.[23] Other committees were formed by men having no connection with the issuing houses—some of them by men who neither owned nor represented any of the defaulted bonds. The overt acts of some of these independent committees, like some of those formed by the bankers, indicate that committee service was actuated by motives inimical to the interests of the bondholders concerned.[24]

A third type of protective agency was organized, its distinguishing characteristic being its intention to act as a permanent protective organization for centralizing the interests of holders of foreign bonds. Two unsuccessful agencies of this sort were organized early in the depression. Finally, the Foreign Bondholders Protective Council, Inc., was incorporated in December 1933, almost two years after the United States government had taken steps preliminary to its creation.[25] While it is a private organization, this corporation alone among the agencies organized to negotiate with foreign debtors has been officially sponsored by the government.

[23] Securities and Exchange Commission, *Report on the Study and Investigation of the Work, Activities, Personnel and Functions of Protective and Reorganization Committees*, pp. 320-63, particularly p. 360.

[24] A committee acting for Colombian bondholders suggested to the Colombian subsidiary of an American corporation that considerable profit might be realized by taking advantage of the government's provisions for accepting its defaulted dollar bonds at 80 per cent of face value, while these bonds could be bought up in the United States at considerably less than this. (The same, p. 587.) A committee representing Cuban bondholders inserted in a draft agreement the provision that before announcement of the plan, the Cuban government might secretly repatriate a large part of its defaulted bonds. (The same, p. 309.)

[25] The Securities Act of 1933 provides for the creation of a Corporation of Foreign Security Holders as a quasi-governmental agency, but thus far the provision has not been put into effect.

At the beginning of 1937 more than 40 protective committees in all had been formed, following the outcropping of defaults in 1931, the ratio of committees to defaulted loans being about one to five. Some committees had represented more than one bond issue; some bond issues had not received the direct attention of any committee. Meantime some 19 national and local governments and several companies had put into effect temporary plans regarding payments on their debts. In general these provided for the suspension of sinking fund payments[26] and the scaling down of cash interest payments, with the balance of the contractual interest cancelled or paid in scrip, funding bonds, or deposited abroad in foreign "blocked" currencies.

Permanent readjustment agreements had been concluded with the Dominican Republic, the Republic of El Salvador, and with the Province of Buenos Aires. The unilateral plan enacted into law by Chile January 31, 1935, without negotiations, and the Guatemala plan arranged with the assistance of an American banking house, were rejected on the advice of the Foreign Bondholders Protective Council, Inc. Negotiations with a number of other governments are now under way, the Council reporting at the middle of 1937 that a formal offer will be made shortly to the holders of Uruguayan dollar bonds, and that the Cuban government is willing to negotiate with holders of its defaulted issues.

### STATUS OF INTER-GOVERNMENT LOANS, 1937

The inter-government debts subject to the Hoover moratorium of 1931 are not a part of the American portfolio. They are excluded from this category by defini-

[26] The exception being the provision made by some of the debtors for market purchases of their defaulted bonds.

tion—since they are obligations payable to the United States government and not to private citizens—and in any case they do not represent investments in the ordinary sense. Continued default on these loans, however, has had an effect on the portfolio. In the words of the Securities and Exchange Commission, "it has colored the attitude of governments indebted to American citizens," making default on foreign loans appear an easier way out of financial difficulties than would otherwise be the case. The Chilean government, for example, in a memorandum explaining the drastic scaling down proposed in its unilateral plan, specifically referred to defaults by "even the greatest and wealthiest countries [on] debts contracted for the purpose of safeguarding national existence in time of war."[27]

The total indebtedness of foreign governments on this account, excluding Germany, amounted on January 15, 1937, to almost 12.7 billion dollars. The amounts owed by the several debtor countries are shown in the table on page 422. Of the governments included, Finland alone continued to make full payment on such obligations—except for payments definitely covered by the moratorium.

Payments on the indebtedness of the German government to the United States for costs of the Army of Occupation and awards of the Mixed Claims Commission, like those on the great bulk of other war debts, have not been resumed since the Hoover moratorium. Such payments had been made out of Dawes Plan annuities from the inception of that plan in 1924 until it was superseded by the Young Plan in 1929. When the Young Plan was

[27] Securities and Exchange Commission, *Report on the Study and Investigation of Work, Activities, Personnel and Functions of Protective and Reorganization Committees*, p. 30.

FOREIGN GOVERNMENT DEBTS DUE THE UNITED STATES, JANUARY 15, 1937[a]
(In millions of dollars)

| Country | Total | Principal | Accrued Interest[b] |
|---|---|---|---|
| Funded debts: | | | |
| Austria | 24.0 | 23.8 | 0.2 |
| Belgium | 432.1 | 400.7 | 31.4 |
| Czechoslovakia | 165.6 | 165.2 | 0.4 |
| Estonia | 19.6 | 16.5 | 3.1 |
| Finland | 8.4 | 8.3 | 0.1 |
| France | 4,081.2 | 3,863.7 | 217.5 |
| Great Britain | 5,107.4 | 4,368.0 | 739.4 |
| Greece | 33.4 | 31.5 | 1.9 |
| Hungary | 2.3 | 1.9 | 0.4 |
| Italy | 2,017.0 | 2,004.9 | 12.1 |
| Latvia | 8.1 | 6.9 | 1.2 |
| Lithuania | 7.2 | 6.2 | 1.0 |
| Poland | 244.8 | 206.1 | 38.7 |
| Rumania | 63.9 | 63.8 | 0.1 |
| Yugoslavia | 61.6 | 61.6 | — |
| Unfunded debts: | | | |
| Armenia | 22.1 | 12.0 | 10.1 |
| Nicaragua | 0.5 | 0.3 | 0.2 |
| Russia | 366.1 | 192.6 | 173.5 |
| Total | 12,665.3 | 11,434.0 | 1,231.3 |

[a] U. S. Treasury Dept., Office of Commissioner of Accounts and Deposits, *Memorandum Covering the Indebtedness of Foreign Governments to the United States* (revised Jan. 15, 1937), pp. 40–42.

[b] The column "Accrued Interest" includes interest postponed and payable under the moratorium agreement. This item is shown separately in the Treasury statement.

adopted the United States cancelled 10 per cent of its original army costs, other governments at that time cancelling all amounts due for their armies of occupation, or roughly 10 per cent of the outstanding claims. On January 15, 1937, the account with Germany stood as follows, in millions of dollars.[28]

[28] U. S. Treasury Dept., Office of Commissioner of Accounts and Deposits, *Memorandum Covering the Indebtedness of Foreign Governments to the United States*, pp. 43-49. The amounts given have been converted from reichsmarks at the rate of 40.3 cents to the mark.

| | Total Indebtedness | Principal | Accrued Interest |
|---|---|---|---|
| Army costs ... .. ........ | 404.5 | 401.0 | 3.5 |
| Mixed claims ........ ... ... | 829.1 | 820.1 | 9.0 |
| Total ..... ..... .. | 1,233.6 | 1,221.1 | 12.5 |

At the present time the World War debt situation is at a stalemate. The debtors refuse to repudiate, refuse to propose new terms, and refuse to pay. The United States waits on their decision, merely reminding them semi-annually that installment payments are due, but takes no steps towards a readjustment of existing agreements. Meantime, lack of a permanent settlement stands as one of the obstacles hindering the full and speedy recovery of world trade.

In retrospect it is easily seen that the defaults of the 1930's are the painful aftermath of the excessive and ill-advised lending of the 1920's. It is also readily apparent that American lenders and foreign borrowers both played a part in bringing this period of large-scale American lending to its unhappy denouement. It is still too early to determine precisely the extent of American losses, for the work of negotiating settlements with many of the debtors, now in process, is far from complete. Moreover, some new defaults have occurred in 1937, and others may be in prospect for 1938. A preliminary accounting is possible, however, and this is undertaken in Chapter XX which follows.

## CHAPTER XX

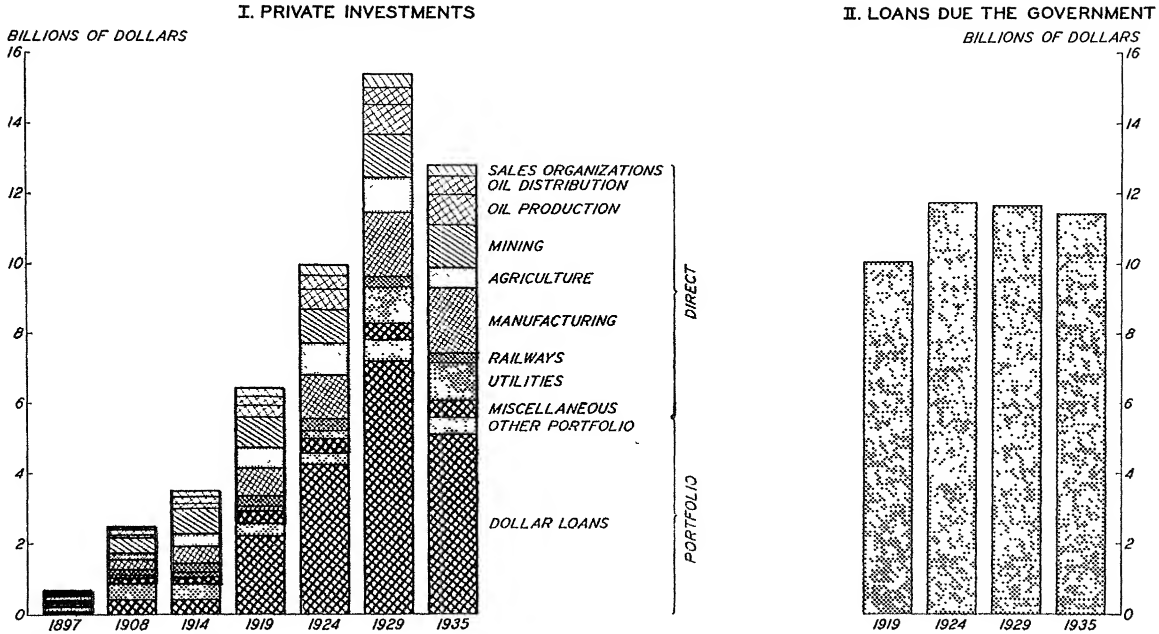
# FOUR DECADES OF INVESTING ABROAD

Some foreign investments were held in America, even before the Revolutionary War, but the greater part of the country's experience as an investor in foreign enterprises and foreign securities has been telescoped into the four decades that began in the middle 1890's. These years have seen the very rapid increase in foreign holdings that preceded the stock market break of 1929, and also the succeeding defaults, repatriations, and readjustments on many of the foreign loans. The activities of these decades may be summarized in general by data showing the changing total of foreign assets from period to period, and by a consideration of the losses and gains involved in their accumulation.

### THE ACCUMULATION OF FOREIGN ASSETS

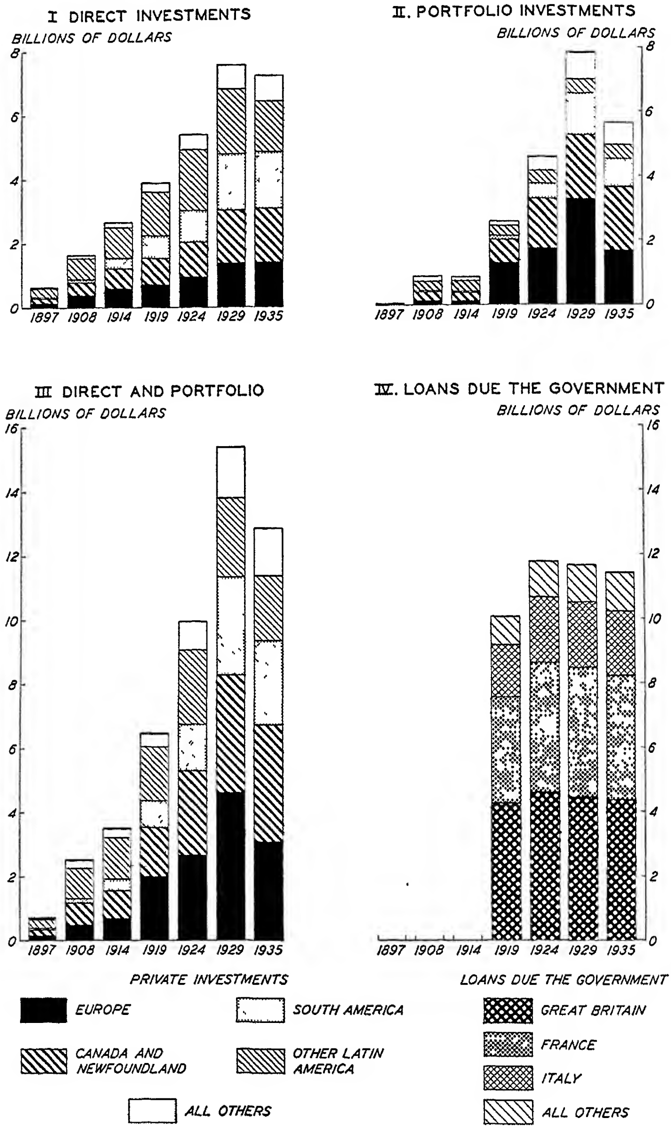
During the last decade of the nineteenth century the passing of the American frontier, together with various changes in tariff laws and industrial techniques, made foreign opportunities appear more inviting than formerly. At the same time, increased foreign demand for American exports increased the funds available for investment abroad. The result was a steady and rapid increase in America's foreign holdings, particularly in the period between the close of the World War and the beginning of the world depression. During the depression some foreign loans have been paid off, and the value of other American holdings abroad pared down in various ways. Thus at the close of 1935 the aggregate value of direct and portfolio investments combined was well below the peak reached in 1929.

THE GROWTH OF AMERICA'S FOREIGN ASSETS, 1897-1935[a]




[a] Data for private investments are from pp. 605-06. For loans due the government, they are from pp. 450 and 454, based on sources cited on pp. 362 and 422.

## Geographic Distribution of America's Foreign Assets[a]




[a] Sources of the data are shown in a footnote to the chart p. 425.

The growth of America's foreign assets is pictured in Part I of the chart on page 425. This section of the chart also shows the distribution of the total by various broad classes of investment. Part II shows the outstanding amount of the war and relief loans made by the United States to the governments of other nations. Portfolio loans, which in 1897 were of negligible proportions both in absolute and relative terms, made up about 40 to 50 per cent of the total from 1919 forward. The rest was made up of the several classes of direct investments.

A geographic distribution of these totals is shown on page 426. The first three sections of the chart show the placement of direct and portfolio investments separately, and of both types combined. The last section shows the amounts due from other governments to the government of the United States.

The principal areas in which funds have been invested by American business enterprises are, in order of importance, South America, Canada, and Europe. The principal borrowers in the American market since the war have been Europe, Canada, and South America. Taken together these three areas account for roughly three-fourths of American private investments abroad. European governments were the principal borrowers from the United States government in the war and post-war period, and at the present time account for practically the whole amount of the war debts.

### FINANCIAL LOSSES AND GAINS

It goes without saying that no exact financial accounting can be made of the aggregate losses and gains the nation has realized from its years of investing abroad. Concerning direct investments only scattered information is available. Spectacular gains have been made

abroad in some cases, particularly by mining and oil companies. Manufacturing and other corporations, starting with small outlays of "new money," have built up large holdings of foreign assets by plowing back their income earned abroad. Against these are the failures and losses that tend to be overlooked in prosperous times and magnified in periods of depression. For the foreign dollar loans that make up about 90 per cent of the portfolio, a reasonably good measure of the results is possible. Concerning the rest of the portfolio little information is available.

The gains realized by many highly profitable American enterprises abroad have already been mentioned. They have been confined to no one industry, period, or geographic area. Rich returns were taken from bonanza mines, such as the Batopilas, a noteworthy silver producer which Americans were operating in Mexico in 1880; the Cananea mountain of copper discovered eighteen years later; the Premier, a rich Canadian gold find of 1919; the Noranda and Flin Flon mines, whose value as copper producers was discovered on the eve of the world depression; and within the last couple of years, rich veins of gold discovered in the Philippine Islands. Extraordinary profits from the exploitation of oil resources, particularly in Mexico and Venezuela, were shared by many companies. In both mining and oil, the rapid expansion of American foreign holdings has been financed in large part by the foreign earnings of the companies.

Large fortunes were made and large banking, commercial, and other enterprises built up by American pioneers in foreign trade, particularly in Europe and South America. For example, George Peabody's merchandising concern was the forerunner of the House of

Morgan in London. Trade with the guano boats was the cornerstone of "Casa Grace" in Peru and other Latin American countries. The profitable fruit trade that developed from the successful sale of a trial shipment of bananas in the New York market was the foundation on which the United Fruit Company was built—an organization whose growth has been consistently nourished by the re-investment of earnings from this West Indian trade.

Manufacturing branches abroad have also grown in number and size through the plowing back of foreign profits. Among those cited in previous chapters are the vast chains established in the pre-war period by companies such as the Singer Manufacturing Company, International Harvester, American Radiator, General Electric, and the post-war expansion abroad of Ford, Libbey-Owens, and others.

To strike a balance between the gains from these and other profitable enterprises abroad, and the losses from revolution in Mexico, Russia, China, and Spain, and from various other hazards for business throughout the world, is a task that has thus far not been attempted, and will not be undertaken here. Such an account, drawn up from the national standpoint, would show aggregate losses somewhat smaller than the total of those suffered by individuals; for assets disposed of at considerable loss by unsuccessful concerns have in many cases been restored to profitableness in the hands of other Americans. It is also probable that a considerable part of the losses entailed by political changes in Mexico, and elsewhere, represent the destruction of accumulated foreign gains rather than losses of capital originally exported from the United States. On the whole it seems likely, though not proved, that the direct investments have resulted in

financial gains for the nation as a whole considerably in excess of losses.

Dollar loans issued in the United States for foreign governments and foreign-controlled corporations have proved to be very unsatisfactory investments for American holders. In general these loans have fallen considerably short of yielding the full returns promised by the original loan contracts. On the American portion of the loans issued during the twelve years 1920-31, losses on interest account alone had aggregated about 400 million dollars by the close of 1935. This is shown by a recent study of the Institute of International Finance.[1] The greater part of such interest losses, or 350 million dollars, represented accrued and unpaid interest standing against the bonds. Scrip, funding bonds, and blocked foreign currencies that had been accepted by bondholders in payment of 89 million dollars of interest, involved additional losses of about 45 million dollars or more when such interest receipts were converted into dollars. During 1936 another year's unpaid interest accumulated on many of the loans, and some new defaults occurred to offset progress made in the adjustment of others.

In the Institute of International Finance investigation, referred to above, the aggregate amount that the American public paid for the loans is balanced against the aggregate market value of the bonds at the end of 1935, plus the dollar cash payments that had been received on the bonds during the sixteen years 1920-35.

[1] John T. Madden, Marcus Nadler, and Harry C. Sauvain, *America's Experience as a Creditor Nation* (1937), p. 144. Securities issued during the five years 1915-19 are omitted from the analysis, thus excluding from the computation some 500 million dollars of interest receipts. But losses on these loans are also excluded, and the net rate of return for the larger total would therefore not differ greatly from that given above.

The cost of the loans to the American public was calculated at issue prices. The 1935 market value of the loans was calculated on the basis of dollar loans outstanding—whether they had been repatriated or were still in American hands. The figures for cash receipts included two items: (1) interest payments received in dollars during the sixteen years covered, and (2) repayments of principal—calculated at the prices paid for the bonds when redeemed or bought up for sinking fund purposes. The analysis was made in detail for all foreign dollar loans except Canadian issues, and for these a conservative estimate was included.

The calculations indicate that 9.0 billion dollars were paid for the loans, and that the residual market value plus cash receipts of all sorts amounted to 11.7 billions. Net receipts had thus sufficed to offset all losses on principal account, leaving investors a net credit balance of 2.7 billion dollars in excess of their original investments.[2] For purposes of comparison, this net return to investors over and above their original investment may be considered to be the "net interest" received from this body of post-war foreign dollar loans. When reduced to a percentage basis it may be compared with contractual rates of interest on the loans and thus furnish a measure of the investment losses that resulted from the defaults.

The findings of the Institute of International Finance show that during the sixteen years 1920-35 interest receipts amounted to 2,880 million dollars on the dollar loans to all countries except Canada. As indicated above, interest receipts are here defined to include ordinary interest receipts and also the profit or loss that investors

[2] The conclusions of the Institute of International Finance are confirmed by the rough check afforded by our independent calculations of prices and interest rates presented in App. E below.

realized on bonds that were redeemed by the foreign issuer. Reduced to an annual rate of return for the sixteen years, the 2,880 million dollars represents an average rate of 6.61 per cent on what the public had originally paid for the loans.[3] It should be pointed out, however, that these results make the position of the American bondholder appear much better than it actually was, for the calculations make no allowance for the depreciation in foreign bond prices that resulted from defaults on interest account.

At the close of 1935 the aggregate market value of the outstanding foreign dollar bonds of all countries except Canada stood some 30 to 40 per cent below their par value. This represented a shrinkage of about 1,106 million dollars in their value. With deductions made to take care of this fall in market value, the 2,880 million dollars of aggregate receipts reduces to 1,774 million dollars.[4] Calculated on this basis, the annual rate of return on the loans was only 4.07 per cent.

On Canadian loans the contractual rate of interest was roughly 5.3 per cent based on par values, and slightly more on the basis of issue prices. Defaults on these loans were at a minimum so that there was little scaling down in the average market value and average rate of return on these loans. With Canadian loans included, the average rate of return realized during the sixteen years covered was roughly 4.4 per cent of what the public originally paid for the loans.[5] The contractual rate, based on

[3] The same, pp. 143, 154-65. The rates for each year were calculated separately and then combined into an arithmetic average. The yearly rates reported averaged 6.49 per cent instead of the 6.61 per cent given in the study. A typographical error in one of the separate rates might account for this discrepancy, and we have therefore not made a correction in the 6.61 per cent.

[4] The same, p. 143.

[5] The Canadian rate is taken at 5.32 and given a weight of 29; and the 4.07 rate on other loans, a weight of 71.

prices the American public paid for the loans, was about 6.3—no allowance being made for the premiums to be paid on some of the loans at maturity—or somewhat higher if premiums are included.[6] The calculations given above may be interpreted to mean that at the end of 1935 the actual performance of the borrowers had left American lenders with their capital unimpaired, but with a net loss of one-third of their contractual interest.

Another measure of the results of foreign lending is afforded by a comparison with the average rate of 4.2 per cent paid on United States government loans issued during the eleven years 1919-29. On foreign issues, high returns on some loans were cancelled by low yields or losses on others. The return on all foreign dollar loans thus average only one-fifth of 1 per cent above the average rate for United States government bonds.

The figures that picture the situation at the close of 1935 do not apply for later years, of course. New calculations would be required to summarize the losses on these loans at the end of 1936; and at the close of 1937, of course, still other calculations are needed. As old defaults remain unsettled and new defaults occur, the longer the period of years included in the computation of the average interest rate, the smaller the average will be. Thus for the seventeen years ending in 1936, a rough calculation—taking account of the market value of the defaulted issues at the close of 1936, and including interest for 1936 at the same rate as for 1935—indicates an average rate of about 4.0 per cent. A further reduction in the average would be shown by calculations for the eighteen years ending in 1937. In general, the average rate will be subject to annual revisions until a final readjustment of the defaults is reached.

[6] The data on which this rate is based are given in App. E, p. 646.

In the percentages given above, account has been taken of losses and gains on bonds paid off at maturity, or redeemed at earlier dates, but the losses taken on repatriated bonds are not included in the reckoning. By definition, therefore, these percentages somewhat understate the losses to American investors that have resulted from various policies adopted by the borrowers.[7] Like all averages, of course, they fail to picture the extremes of the data range they represent. That is, they blur the losses on some issues and for some years, as well as the very satisfactory returns of pre-depression years. They do not point out the large losses on principal as well as interest that have resulted from some South American and European defaults; or show the profits from certain other loans on which the gold clause of the contract has been strictly observed.

From the national standpoint, bankers' profits should be included in the "net return" from the loans. These, of course, have not been included above where the returns to American bondholders were considered. The calculations of the Institute of International Finance show that the gross profit to bankers on the 9.4 billion dollar (face value) total of loans issued during the years 1920-31 amounted to approximately 350 million dollars. In terms of the spread between the average price paid by the public and the average price paid by the bankers, this amounted to 3.73 per cent of the aggregate par value of the loans.[8]

Our independent calculations furnish results that are

[7] Receipts from loans redeemed by the issuer are included at call prices, or at relevant average prices in the case of bonds purchased in the market or by solicitation of tenders. On the exclusion of losses on repatriated loans, see Madden, Nadler, and Sauvain, *America's Experience as a Creditor Nation*, p. 140.

[8] The same, p. 227.

in reasonably close agreement with those given above. Computed on the basis of prices that the issuing bankers reported to the Senate committee investigating foreign loans, the average price paid by the bankers was about 93.4 per cent of par on all loans, long and short, issued during the fifteen-year period 1915-29. The corresponding average price paid by the public was 96.7 per cent. The difference between these two averages represents the gross profit retained by the bankers. That is, the expenses and profits of the bankers absorbed 3.3 per cent of the aggregate face value of all foreign dollar loans issued in the United States during this period.

The amount actually retained in the United States was somewhat larger than this, for there are some expense items not covered by the prices paid by the bankers. In short, the proceeds paid to foreign borrowers were somewhat smaller than the purchase prices paid by the bankers. A rough measure of the difference is furnished by data that Dr. Robert R. Kuczynski compiled for German loans. In the case of twelve loans for which he shows the borrowers' proceeds as well as the price paid by the managing bank, the spread—denoting additional expenses—ranges from 1.02 per cent of par to 3.55 per cent.[9] The sum of this item and the gross profits received by the bankers represents the total amount paid to Americans for handling the loans. It is probable that on all foreign dollar loans this amounted to not less than 4½ to 5 per cent of par.

National receipts from the loans were still further increased by the interest received on discount notes and

[9] *Bankers' Profits from German Loans* (1932), pp. 165-67. Dr. Kuczynski's calculations of the bankers' spread on German loans show an average of 4.5 per cent of par for long and short-term loans issued during the years 1924-30. The same, pp. 83-84.

bank credits, not included in these computations, and by foreign payments to bankers for their services as fiscal agents in connection with the cashing of interest coupons, and the redemption of the loans.

Not included as a part of either the portfolio or direct investments are the war and post-war government obligations held by the United States government. On these there is practically complete default at the present time. By the terms of the loan agreements, the interest on these obligations has been reduced well below the rates at which the loans were originally made, but no concessions have been made by the United States with regard to the principal of the debts. That the government will realize no financial gain on these loans is an obvious conclusion. That there will be losses of principal as well as of interest seems certain, but the extent of these losses remains for the future to determine.

In summary: Private investments in the form of American-controlled enterprises operating abroad have, on balance, yielded very sizeable gains to their holders. Concerning private investments in foreign securities the outcome has been very different. On foreign dollar loans, with all receipts and losses included in the accounting, the rate of return to the end of 1937 would average a fraction of a point lower than the rates paid on United States government bonds. Foreign currency issues taken in the United States have, for the most part, involved losses of the greater part of the principal of the loans. On the loans that the United States government extended to other governments, it is certain that future payments will fall far short of the principal and interest stipulated in the debt funding agreements. The basis on which these debts will eventually be settled cannot be predicted at the present time.

# PART III

# AMERICA'S CREDITOR-DEBTOR EXPERIENCE

## CHAPTER XXI

# EVOLUTION OF AMERICA'S CREDITOR-DEBTOR POSITION

From colonial days to the present time, America has been both an international debtor and an international investor. The inflow of foreign funds and the resulting indebtedness to foreigners has been discussed in Part I. The acquisition of foreign securities and foreign properties by Americans has been dealt with in Part II. Comparisons of such foreign obligations and foreign investments over the past century and a half show the changes that have taken place in the country's international financial status—from a net debtor before the War to a net creditor in the war and post-war period. In the terminology of the accountant, such comparisons constitute a series of international financial balance sheets for the country. Explanations of the changes shown in America's creditor-debtor position go beyond the debt and investment figures—to a consideration of international transactions in goods and services.

### BORROWING TO PURCHASE IMPORTS—BEFORE 1874

The period of America's greatest dependence on imports of foreign manufactures, and on foreign capital, came to an end in the early 1870's. Purchases of foreign goods were in many cases made possible only by foreign extensions of credit to American industry during these first seven and a half decades of the nation's existence. In general such purchases would necessarily have been greatly curtailed if they could not have been financed in part by borrowing abroad.

In 1795 the country's foreign obligations amounted

to the trifling sum of 9 million dollars, increased to about 75 millions in 1803, and to 1.5 billions in 1869—totals that were made up principally of the American bonds held in Europe, though they also included some foreign-controlled properties in the United States and some short-term credits. Before the collapse of 1873 had brought a cessation of borrowing, such indebtedness undoubtedly had been further increased.

In comparison with these obligations to foreigners, American investments abroad were of negligible importance during this period. By 1869 they aggregated perhaps 50 to 100 million dollars—widely distributed in many countries and in many types of enterprises. They included a railway in Panama; a transit company in Nicaragua; gold and silver mines in Canada, Mexico, and South America; some branch factories and sales organizations in Europe; trading concerns in China, Peru, Argentina, and Colombia; investments made in connection with American participation in Canada's fur and lumber trades; and some market purchases of foreign bonds and shares.

Until the states and railways began defaulting on their foreign obligations in 1873, the value of commodity imports as a rule exceeded the value of exports.[1] Such imports were predominantly of manufactured goods, with a large part of the total made up of products of the heavy industries—to be used in the country's development and westward expansion—for the era of steel did not begin in the United States until the Bessemer process was introduced in 1867. In 1860 the country's iron pro-

[1] The outstanding exception was the period of the forties. In 1840, in a desperate effort to pay the short-term debts falling due and to meet fixed requirements, commodity exports were increased while imports were curtailed. With the states defaulting on their debts in 1841 and 1842, European lending to the United States practically ceased. Thereafter, for several years, imports were practically balanced by exports.

duction was valued at only 36.5 million dollars; while in 1870 iron and steel production amounted to 207.2 millions.[2]

On the average only 80 to 85 per cent of the value of imports was covered by exports. Until gold was discovered in California, there were also net imports of the precious metals. As the country's foreign indebtedness accumulated, the deficit on trade and specie account was increased by payments required for the servicing of the debt held abroad and for dividends on direct investments. In the latter part of the period, a considerable item for tourist expenditures was added to the nation's bill payable to foreigners. Funds brought into the country by immigrants (particularly during the great inflow of population in the fifties and late sixties), net income from the ocean carrying trade, and foreign borrowing, brought the account into balance.

### BORROWING TO PAY INTEREST, 1874-97

Had no payments on earlier foreign indebtedness been required, new borrowing from foreigners would not have been necessary after the middle 1870's. From that time forward, income from foreign trade and services was more than sufficient to cover all items of outgo except the servicing of the foreign debt. With interest and dividend payments included, however, the amounts annually payable to foreigners were considerably larger than the amounts receivable, and the whole account was balanced by means of new borrowing from abroad. This way of viewing the accounts is admittedly arbitrary,[3]

[2] Production figures in terms of volume were as follows: 1860, pig iron 920,000 tons, steel 13,000; 1870, pig iron 1,865,000 tons, steel 77,000.

[3] It may be argued, for example, that foreigners would have limited their purchases of American exports had they not been receiving interest and dividends on their investments in the United States; and that foreign borrowing was directly related to the purchase of imports.

but it is helpful in considering the rapid expansion of the country's capacity to produce in relation to the evolution of its international financial position.

By the close of 1897 the country's foreign obligations had increased to about 3.3 billion dollars, while foreign assets amounted to less than three-quarters of a billion. These foreign assets and liabilities are shown below, in comparison with the close of 1869.

America's International Balance Sheets, 1869 and 1897
(End-of-year foreign assets and liabilities, in millions of dollars)

| Items | 1869 | 1897 |
|---|---|---|
| Assets: | | |
| Securities | 75 | 50 |
| Direct investments | | 635 |
| Short-term | — | — |
| Total | 75 | 685 |
| Liabilities: | | |
| Securities and direct investments | 1,390 | 3,145 |
| Short-term credits | 150 | 250 |
| Total | 1,540 | 3,395 |
| Net liabilities | 1,465 | 2,710 |

During this period the greater part of the direct investments acquired in foreign countries probably was represented by the export of mining machinery, smelters, sugar mill machinery, equipment used abroad by American oil distributing companies, railway equipment and rails, and a few rigs used in drilling for oil; only a small part by the capital gains realized from the exploitation of foreign concessions. In later years, such capital gains and the plowing back of earnings accounted for a large part of the increased value of American-owned properties abroad. Loans to foreign govern-

ments also were directly related to exports in many—if not all—cases.

In 1874 and 1875, commodity imports and exports were almost in balance. Since then, exports have regularly exceeded imports in all but three years—1888, 1889, and 1893. During the period of depression and of defaults on state and railway bonds, following the panic of 1873, imports of foreign goods were curtailed and the upward trend of imports was not resumed until 1880. Exports expanded rapidly, however, with each year's total from 1870 to 1881 marking an "all-time high"—except in the two years 1875 and 1876. This growth in the value of exports was the more remarkable since it came in a period of rapidly falling prices. From 1881 until 1897 exports were comparatively stable, standing for the most part under the high figure established in 1881; but in 1897 the trend of exports again turned sharply upward.

For the whole 24-year period, 1874-97, the value of goods exported was about 3 billion dollars larger than the cost of imports. With allowance made for exports used in building up American investments abroad, this surplus amounted to roughly 2.4 billions. Net outgo for shipping, tourist expenditures, immigrant remittances, and all other charges except foreign debt service, aggregated some 1,950 million dollars during the 24 years—an amount fully covered by net receipts from exports, with some 450 million dollars or more to spare.

Aggregate interest payments during the period amounted to roughly 2,050 million dollars—or 1,600 million dollars more than the 450 millions of net income available after all other charges had been met. The increase in foreign liabilities from the beginning of 1870 to the close of 1897 was almost 1.9 billion dol-

lars—part of which had been used to cover payments made to foreigners, while part represented discounts and commissions on loans.[4]

If defaults and repudiations on state and railway debts had not occurred during the period, the increase in the foreign debt item would have been considerably larger than is shown by the balance sheet figures: for the debt repudiations resulted in a considerable writing-down of the principal of foreign obligations, while the amount payable on interest account was considerably larger than the bill actually paid. On the debts honored, however, the charges involved were of such proportions that foreign obligations increased by a gross amount of roughly 1.9 billion dollars—or about 1.3 billions net, account being taken of the offsetting increase in America's foreign investments during the period.

### FORECASTS OF A CHANGE IN STATUS, 1898-1914

In the summer of 1914 America's investments abroad had grown to be five times as large as at the close of 1897. Obligations to foreigners were only a little more than twice as large. America was still a debtor nation in 1914, with net indebtedness about 1 billion dollars larger than in 1897. Consideration of the balance sheet items indicates, however, that a shift in status was in prospect for the future, and that this shift would have been accomplished in time—without the intervention of the World War.

Balance sheets for the end of 1908 and for the middle

[4] No correction has been made here to take account of the four years 1870-73. The deficit on trade and specie account during these years amounted to about 185 million dollars, but we do not have satisfactory information concerning the new foreign obligations incurred during these years of carpetbagger borrowing that preceded the outcropping of defaults in the southern states.

of 1914 are given below, in comparison with that for the end of 1897.

America's International Balance Sheets, 1897, 1908, 1914
(Foreign assets and liabilities, in millions of dollars)

| Items | 1897 (December 31) | 1908 (December 31) | 1914 (July 1) |
|---|---|---|---|
| Assets: | | | |
| Securities........... | 50 | 886 | 862 |
| Direct investments.... | 635 | 1,639 | 2,652 |
| Total assets....... | 685 | 2,525 | 3,514 |
| Liabilities: | | | |
| Securities............ | 3,145 | 6,000 | 5,440 |
| Direct investments.... | | | 1,310 |
| Short-term credits ... | 250 | 400 | 450 |
| Total liabilities. . | 3,395 | 6,400 | 7,200 |
| Net liabilities........ .... | 2,710 | 3,875 | 3,686 |

These statements give support to the enthusiastic—though exaggerated—predictions made at the turn of the century. A comparison of the figures for 1908 and 1914, in fact, show a slight scaling down in net liabilities. However, they do not forecast the immediate and large-scale changes envisioned by some observers.

During the whole period of 16½ years, net income on trade and specie account amounted to 7.6 billion dollars. Net outgo for interest, tourist expenditures, immigrant remittances, shipping, insurance, commissions, and the like amounted to 8.7 billion dollars. The net deficit of 1.1 billion dollars on trade and service account was covered by the receipts from borrowing. New indebtedness incurred amounted to about 3.8 billion dollars, yielding some 3.4 billions if allowance is made for an average discount of 10 per cent. New investments amounted to 2.8 billion dollars—or to several hundreds

of millions less, if allowance is made for discounts on loans to foreigners and for the value of concessions and rights granted to American companies abroad and included in the book value of their investment.[5]

## THE WAR-TIME SHIFT IN STATUS, JULY 1914-19

During the course of the World War, America did, in fact, temporarily become the principal workshop and financial center of the world, as well as its granary. Before the end of the war, the shift had been made from a debtor to a creditor status. Balance sheets for the beginning and end of the war show, in a summary way, the great changes in America's financial relations with the rest of the world that had taken place during the course of the war.

During the five and a half years that ended with December 1919, commodity exports amounted to 31.9 billion dollars—including army supplies sold in Europe at the close of the War. This was at an annual average of about two and a third times the figure for 1913, when exports were higher than in any other pre-war year. Imports amounted to 15.2 billions. Net exports for the whole period thus amounted to 16.7 billion dollars.

An appreciable part of the imports came in the form of raw materials from American-owned mines and plantations in Latin America and Canada. For example, imports of Cuban sugar during the period amounted to almost 1.3 billion dollars, of which probably 500 millions or more were the product of American sugar companies.[6] Imports of copper from Chile, Peru, Cuba, and

[5] A balance of payments for the period is given in App. B, p. 553.

[6] At the beginning of the War, 35 per cent of the Cuban sugar crop was produced by American companies; at the end of the War, about 48 per cent. Leland H. Jenks, *Our Cuban Colony* (1928), p. 281.

Mexico amounted to 390 million dollars, or about 454 millions with Canadian copper included. By far the greater part of these imports came from American-owned mines. Imports of bananas amounted to 77.3 million

AMERICA'S INTERNATIONAL BALANCE SHEETS, 1914 AND 1919
(Foreign assets and liabilities, in millions of dollars)

| Items | 1914 (July 1) | 1919 (December 31) |
|---|---|---|
| Assets (private account): | | |
| Securities | 862 | 2,576 |
| Direct investments | 2,652 | 3,880 |
| Short-term credits | — | 500 |
| Total | 3,514 | 6,956 |
| Liabilities: | | |
| Securities | 5,440 | 1,623 |
| Direct investments | 1,310 | 900 |
| Sequestrated properties and securities | — | 662 |
| Short-term credits | 450 | 800 |
| Total | 7,200 | 3,985 |
| Net asets privately held | −3,686[a] | 2,971 |
| Intergovernment debts: | | |
| To the United States government | — | 9,982 |
| By the United States government | — | 391 |
| Net assets on government account | — | 9,591 |
| Total net assets on private and government account | −3,686[a] | 12,562 |

[a] Net liabilities (in 1914).

dollars, of which probably 80 per cent were produced by American companies operating in Latin American countries. Various other products from American-owned companies abroad might be added to the list, though most of them are not so easily identified in the trade figures.

These imports involved no payments to foreign entre-

preneurs. To maintain the investment, enough had to be sent back to the producing countries to cover the wages bill for the ensuing production period and for upkeep of foreign properties. The rest was at the disposal of the American managers of the companies. Large amounts were paid out as dividends to the stockholders of these companies, and even larger amounts were used in acquiring new properties and shipping out American machinery for developing and equipping them. With earnings on direct investments calculated at an annual average of 6 per cent, and interest on loans at the rates applying to the several classes,[7] income in excess of outgo for interest and dividends amounted to almost 1.9 billion dollars during the period. This total is probably understated, however, for the actual rate of earnings for American companies operating abroad probably averaged 10 or 12 per cent, rather than 6, during this period of high prices and urgent demand for goods.[8]

The net amount receivable from the commodity and specie trade and from interest and dividends thus totalled about 18.6 billion dollars. Payment by foreigners for about 4 billion dollars of this amount was provided by gold shipments, by ocean shipping, and by the use of funds that foreigners received from the United States in the form of immigrant remittances, purchases abroad by the United States government, and expenditures abroad by American tourists. The remaining 14.6 billion dollars or more due from foreigners was met by credit operations: resale of American securities and properties at current market prices, about 2.6 billion dollars; new

[7] Explained in detail on p. 556.

[8] During this period the Francisco Sugar Company paid a 233⅓ per cent stock dividend; Cuban-American Sugar a 40 per cent stock dividend; Ford of Canada, a 600 per cent stock dividend.

American investments in foreign securities and properties, about 3.4 billion dollars; and loans by the government to foreign governments, 9.6 billions.[9]

### LARGE NEW LOANS AND INVESTMENTS, 1920-29

During the ten years 1920-29, American holdings of foreign securities more than trebled; direct investments more than doubled. The total of privately held foreign assets increased from 7 billion dollars at the close of 1919 to 17 billions at the close of 1929. The net amount payable to the government of the United States on War debt account increased by about 2.1 billions. Meantime, American obligations to foreigners increased from 4 billion dollars at the beginning of the period to 8.9 billions at its close.

The balance sheet data on page 450, for the beginning and end of the period and for 1924, give a more detailed account of these changes in America's foreign assets and foreign obligations.

According to these comparisons, foreign assets held by American corporations and investors increased during the ten-year period by 10 billion dollars; foreign obligations, by 4.9 billions—or an increase in net assets of 5.1 billion dollars. However, this net increase in foreign assets does not show the "cost" at which such a change in the balance sheet was effected. Among the assets there were foreign currency securities whose value depreciated greatly in American hands. These are included in the balance sheet at their depreciated values and not at the

[9] According to these figures, the bill paid by foreigners on trade and specie account amounted to a net total of 14.6 billion dollars, while the funds used in meeting these obligations amounted to 15.6 billions—a discrepancy of 1 billion dollars, which may represent an under-estimate of earnings from direct investments, or may be made up of smaller errors in a number of items. The balance of payments for this period is given in greater detail in App. B, pp. 554-55.

prices originally paid for them, with no statement concerning the losses involved. On the other hand, foreign dollar bonds are included at par values, but most of these had been originally acquired at a discount by

America's International Balance Sheets, 1919, 1924, 1929
(December 31 figures, in millions of dollars)

| Items | 1919 | 1924 | 1929 |
|---|---|---|---|
| Assets (private account): | | | |
| Securities | 2,576 | 4,565 | 7,839 |
| Direct investments | 3,880 | 5,389 | 7,553 |
| Short-term credits | 500 | 800 | 1,617 |
| Total | 6,956 | 10,754 | 17,009 |
| Liabilities: | | | |
| Securities | 1,623 | 1,883 | 4,304 |
| Direct investments | 900 | 975 | 1,400 |
| Sequestrated properties | 662 | 277 | 150 |
| Short-term credits | 800 | 909 | 3,077 |
| Total | 3,985 | 4,044 | 8,931 |
| Net assets (private account) | 2,971 | 6,710 | 8,078 |
| Intergovernment debts: | | | |
| To the United States government | 9,982 | 11,774 | 11,685 |
| By the United States government | 391 | — | — |
| Net assets, on government account[a] | 9,591 | 11,774 | 11,685 |
| Total, net assets on private and government account | 12,562 | 18,484 | 19,763 |

[a] These figures exclude Germany's indebtedness of about 770 million dollars (at 23.8 cents=1 mark) on army costs and mixed claims account.

American investment banks. There were losses on Cuban sugar and Chilean nitrate, offset by large gains on other enterprises abroad. Moreover, part of the increase shown for foreign liabilities represented merely an appreciation in the value of common stocks—a point discussed on page 132 above—and did not occasion any flow of foreign funds into the United States. The foreign short-term funds held by American banks for foreign account in 1929 were for the most part proceeds of American loans

that had not yet been taken out of the country by the foreign borrowers.

The credit operations in connection with this net change in the country's international position—aside from the war loans of the government—are briefly summarized below. The greater part of the 2.1 billion dollar net increase in the war loans was made up of unpaid interest funded and added to the principal of the debts at the time agreements with the creditor countries were arranged.

CREDIT OPERATIONS, 1920-29

| | Millions of Dollars | | |
|---|---|---|---|
| Payments for foreign assets— | | | |
| New private investments | 10,053 | | |
| Less discounts[a] | 854 | 9,199 | |
| Losses on foreign currency securities | | 1,142 | 10,341 |
| Offsetting changes in foreign obligations— | | | |
| Increased obligations to foreigners | | 4,946 | |
| Less price-appreciation of common stocks held by foreigners | | 750 | 4,196 |
| Net payments to foreigners on balance sheet account | | | 6,145 |

[a] The discount item is calculated on the basis of loan prices and issue figures given on pp. 646 and 651.

America's foreign transactions in goods and services—offsetting the operations on balance sheet account—are shown below for this ten-year period.[10]

TRANSACTIONS IN GOODS AND SERVICES, 1920-29

| | Millions of Dollars | |
|---|---|---|
| Income from— | | |
| Net exports[a] | 10,723 | |
| Shipping | 148 | |
| Interest and dividends | 3,350 | |
| Interest on war debts | 1,739 | 15,960 |

[10] Compiled from the U. S. Dept. of Commerce, *Balance of International Payments of the United States*, 1935, pp. 82-83.

| | | |
|---|---|---|
| Outgo for— | | |
| Tourists | 4,326 | |
| Immigrant remittances | 3,735 | |
| Government transactions | 435 | |
| Net imports of gold | 1,356 | 9,852 |
| Net income | | 6,108 |

[a] Including commodities, silver, and ships.

The figures given here for credit operations and for goods and service transactions are of course rough estimates, subject to error.[11] It may be that the cost of new foreign investments is overstated, for example, that interest and dividend receipts amounted to a larger net figure than that shown above, or that receipts from net exports are overstated (account being taken of the losses by American exporters on goods sent abroad on consignment). However, they provide a general view of the way in which American loans were furnishing foreigners with purchasing power in the American market.

### DEPRESSION LOSSES AND ADJUSTMENTS—AFTER 1929

The depression that started in the fall of 1929 was responsible for many adjustments in the creditor-debtor relations of the United States with other countries. Curtailment of American lending brought a sharp curtailment of foreign purchases in the American market—to suit the straitened circumstances of the debtor countries. The capacity of foreigners to purchase American goods was also diminished by the reduction in American imports. During the six years 1930-35, for example, American imports and exports amounted to less than 50 per cent of the respective totals for the preceding six

[11] The correspondence between the data for credit operations (compiled in connection with the present study) and Dept. of Commerce figures for goods and service transactions is very close. However, the closeness of this check does not guarantee the accuracy of the estimates.

years. Despite the shrinkage in their purchasing power, however, foreigners bought up their own securities in the American market in considerable amounts. Such repatriations—particularly after the appearance of defaults and the depreciation of bond prices—involved large losses for the Americans who liquidated.

Foreign purchases of goods and securities in the United States were covered in part by a reduction in the foreign balances that had accumulated in American banks. There seems to have been no great foreign liquidation of American securities during these years, but the value of the foreign-owned portfolio declined with the depreciation in American stock prices. American balances in foreign banks were also drawn down, but because of currency depreciation and currency restrictions in many countries, this repatriation of funds involved a loss for the American investors concerned. Meantime, large shipments of gold came into the country—balancing accounts that were not balanced through borrowing.[12]

At the close of 1935, when there had been a considerable recovery in American stock prices and some inflow of frightened short-term capital from abroad, the balance sheet showed net assets on private account of 7.4 billion dollars, as compared with 8.1 billions in 1929. In this statement, bond holdings are included at par. If American holdings of defaulted foreign bonds are written down to their current market value, total assets (privately

[12] Net income from exports, interest and dividends, war debt receipts, and miscellaneous service items amounted to 5.6 billion dollars during the six years 1930-35; net outgo for shipping, tourist expenditures, immigrant remittances, and government transactions, 3.8 billions; or an excess of income on all trade and service accounts—except the precious metals—of 1.8 billions. Gold imports amounted to a net total of 2.9 billion dollars, and silver, 0.4 billions (U. S. Dept. of Commerce, *Balance of International Payments of the United States*, 1936, pp. 94-95).

America's International Balance Sheets, 1929 and 1935
(December 31 figures, in millions of dollars)

| Items | 1929 | 1935 |
|---|---|---|
| Assets (private account): | | |
| Securities | 7,839 | 5,622 |
| Direct investments | 7,553 | 7,219 |
| Short-term credits | 1,617 | 853 |
| Total | 17,009 | 13,694 |
| Liabilities: | | |
| Securities | 4,304 | 3,529 |
| Direct investments | 1,400 | 1,580 |
| Sequestrated properties | 150 | — |
| Short-term credits | 3,077 | 1,220 |
| Total | 8,931 | 6,329 |
| Net assets (private account) | 8,078 | 7,365 |
| War debts due the United States government | 11,685 | 11,434[a] |
| Total—net assets on private and government account | 19,763 | 18,799 |

[a] This excludes: (1) accumulated and unpaid interest of 613 million dollars—as of Mar. 1, 1935; (2) indebtedness of the German government (a foreign currency debt that at 40.3 cents to the mark amounted to 1,225 million dollars principal, and 3 million dollars unpaid interest on Mar. 31, 1935); and (3) foreign government obligations held by the Export-Import Bank, that amounted to 25.4 million dollars at the close of 1935.

owned) are reduced to about 12.3 billion dollars, and net assets to 6 billions. By the close of 1936 there had been a further net reduction of 150 million dollars or more in foreign assets held by American investors,[13] while obligations to foreigners had increased by about 1.3 billion dollars.[14] Taking into account current values

[13] U. S. Dept. of Commerce, *Balance of International Payments of the United States*, 1936, p. 33.

[14] Given in more detail on p. 131 above. If account is taken of the price depreciation of all bonds in the American portfolio, the value of American investments is still further reduced (see U. S. Dept. of Commerce, *Balance of International Payments of the United States*, 1936, p. 33). Such a wholesale adjustment, however, would call for a revision in the value of obligations, to take account of the depreciation in the value of American bonds held abroad.

of defaulted bonds in the American market, therefore, net assets by the close of 1936 amounted to about 4.7 billion dollars, and by the middle of 1937 had been reduced to about 3.9 billions. This does not include the debts payable to the United States government, amounting to 13.3 billion dollars (principal and unpaid interest on all foreign debts due the United States government), on which there has been almost complete default since 1931.

## SUMMARY

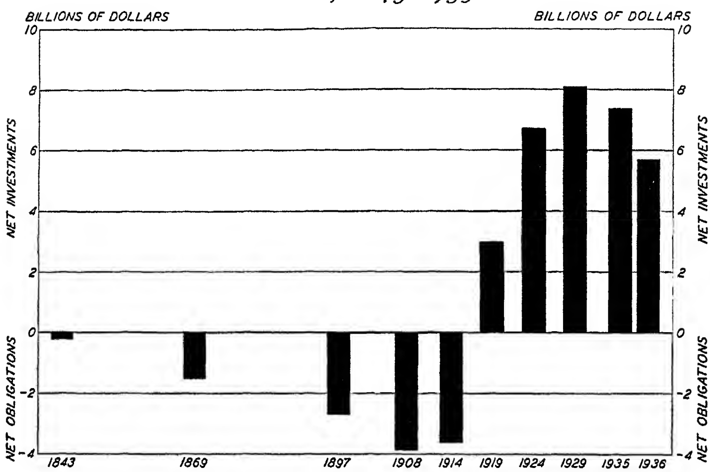
Throughout the pre-war period America was a debtor nation, but by the middle of 1914 the country's trade and service, and credit transactions with other countries indicated that a turning point was near at hand. During the War foreign obligations were reduced, while foreign investments expanded greatly. Before the armistice was signed the country had ceased to be a net debtor to foreigners and had become a net creditor. This has been shown by the balance sheets which are given in preceding sections of this chapter, and are summarized below, in billions of dollars.

| End of Year | Foreign Investments | Foreign Obligations | Net Investments (+) Net Obligations (−) |
|---|---|---|---|
| 1843 | . . | 0.2 | −0.2 |
| 1869 | | 1.5 | −1.5 |
| 1897 | 0.7 | 3.4 | −2.7 |
| 1908 | 2.5 | 6.4 | −3.9 |
| 1914 (June 30) | 3.5 | 7.2 | −3.7 |
| 1919 | 7.0 | 4.0 | +3.0 |
| 1924 | 10.7 | 4.0 | +6.7 |
| 1929 | 17.0 | 8.9 | +8.1 |
| 1935 | 13.7 | 6.3 | +7.4 |
| 1936 | 13.3 | 7.6 | +5.7 |

Fluctuations in the country's net debtor-creditor position are shown by the chart which follows. The present situation is more accurately pictured if the foreign invest-

ment estimate is reduced to take account of the price depreciation of defaulted foreign dollar bonds. With such an adjustment made, it appears that the country's net investments in 1935 amounted to only 6.3 billions (instead of the 7.4 billions shown above), reduced to

America's Net International Financial Position, 1843-1935[a]




[a] The 1914 figure is for July 1.

4.7 billions by the close of 1936, and to 3.9 billions or less by the middle of 1937. These figures may, however, overstate the losses that eventually will be taken on the foreign bonds held by American investors, for debt negotiations now under way may lead to satisfactory settlements and a restoration of the value of the bonds concerned.

# CHAPTER XXII

# DEVELOPMENTS IN OTHER COUNTRIES

The analysis of preceding chapters has made incidental reference to America's financial and trade relations with various European countries, and has revealed in some measure the changing international financial position of these countries. For the purpose of giving perspective to the American picture, however, it will be helpful now to center attention briefly on the ebb and flow of international capital in some of these countries. Of particular relevance is the experience of the Netherlands, Great Britain, France, and Germany—in 1914 the principal creditor nations of the world, and also America's principal foreign creditors.

Of the four countries considered, only the Netherlands was a creditor nation when the American Declaration of Independence was signed. Great Britain was still a net debtor a quarter of a century after that event. For France, the shift to a creditor-nation status came around 1850; and for Germany, in the seventies. Summarized briefly, events in these countries provide a background that is helpful in explaining changes in the international financial position of the United States, and in considering problems which must now be faced.

## THE NETHERLANDS[1]

When the discovery of shorter routes to the ancient East and of new worlds beyond the Atlantic turned

[1] This section is based on George W. Edwards, *Investing in Foreign Securities* (1926), pp. 40-49; the (London) *Economist*, Feb. 15, 1913, pp. 333-34; Mar. 15, 1913, p. 637.

trade from the old Mediterranean routes to the Hanse towns and North Sea ports, Amsterdam was one of those to profit from the change. Merchants of the Netherlands prospered; Dutch industries were stimulated; and surplus wealth accumulated that was available for lending at home and abroad. Dutch funds helped to finance wars that grew out of the opposing ambitions of states recently become nationalistic in their outlook. They also helped to finance adventurers who, seeing the vast opportunities for exploitation offered by the new territories overseas, formed companies for trading and colonizing purposes.

England was one of the favored borrowers in the Dutch financial market in the early seventeenth century. In 1625 Charles I obtained a loan of £300,000 for his war with Spain. In 1666, after the great fire, London was rebuilt with funds that came in part from Dutch sources. The Bank of England, established in 1694, was to a large extent financed by the Dutch.

In 1700 the States General of Holland issued a decree against "foreign loan transactions without consent." This and various other prohibitions issued later were directed not against loans to foreign governments but against "participating or taking an interest in any foreign corporation." The Dutch did not intend that their capitalists should finance their foreign competitors, particularly those companies trading with the East and West Indies. These laws were not strictly enforced, however. Even at this early date the Dutch were creditors to Denmark, France, Russia, Austria, Sweden, Spain, and Saxony, as well as England, and to numerous minor countries. They held the securities of German towns and mining concerns, of plantations in colonies belonging to other states, including the American colonies, and of various

foreign commercial and shipping enterprises. Being thus involved in foreign lending, it would have been difficult for Dutch capitalists to have refused additional loans to their established customers.

The Dutch reached the peak of their prosperity about the middle of the seventeenth century and thereafter began to lose ground slowly to more aggressive nations. Wars, monetary crises, the jealousies of other nations aroused by Dutch prosperity and expressed in tariffs raised against Dutch products, together with the lethargy of the commercial classes in Holland, undermined their commercial and financial prestige. The final blow was struck when Napoleon's army occupied the country in the winter of 1794-95. With the levy of an indemnity to France, the collapse of the Bank of Amsterdam, and the failure of the Dutch East India Company, financial supremacy passed from Holland where it had been maintained for almost two centuries.

Many of the foreign bonds held there—for example, British government securities and loans that had been made to help prosecute the American Revolution—began to drift across to England, the rising financial power. By the close of the Napoleonic era Dutch foreign holdings had fallen to about one-quarter of what they had been in the early eighteenth century.[2] With the downfall of Napoleon, affairs in Holland took a turn for the better, but it was a half century before the country's foreign portfolio was again as great as it had been in the early eighteenth century. From 1815 on there was a relatively

[2] Figures given in the *Economist*, Feb. 15, 1913, p. 334 are apparently considerably too small. For example, it is stated that in 1776 total foreign holdings were about 800 million florins. At that time, however, there were more than 700 million florins invested in the national debt of Great Britain, and 100 millions in non-government British enterprises, while the *Economist* gives a long list of other countries whose loans were held in Holland.

slow but steady increase in Dutch holdings of foreign securities. Stocks and bonds of American railways were taken in large amounts in the 1860's and later. South American, Chinese, and Japanese securities were added to the list. American industrials followed.

In the main the Dutch are, and have been, a nation of small savers. Their foreign securities are widely held and are distributed in small lots. This is a condition similar to that existing in France but the principal characteristics of the two markets are very different. In contrast to the conservatism of the French, the Dutch are shrewd speculators, buying low-priced securities, particularly in periods of bargain prices, and disposing of them on price advances—as the English have sometimes sarcastically noted. Their preference is for securities offering a high return rather than for gilt-edged bonds whose selling point is "safety." In fact, they have been accused of leaving domestic issues without support while purchasing the more speculative issues offered by foreigners. They depend for safety on the wide diversity of their holdings. However, small investors in the Netherlands have long followed the practice of pooling their holdings of various foreign securities under the management of some banking house, and thus have been able to gain advantages that attach to large-scale holdings.

In 1890 it was estimated that one-third of the foreign portfolio held by the Dutch was American, one-sixth Russian. By 1913 the total had increased, but the proportions placed in these two countries had not changed.[3] During the War the Dutch portfolio was reduced somewhat by liquidations and by losses. Since then, Dutch lending has resumed its old pattern: Dutch bankers have

[3] Georges Martin, *Journal de la société de statistique de Paris*, April 1891, p. 140. The *Economist*, Mar. 15, 1913, p. 638.

joined with British, American, and other issue houses, in floating loans recommended by the League of Nations, and have handled some foreign issues independently. Dutch investors have also resumed their purchases of existing securities.

In her financial relations with the United States before the War, the Netherlands always took the role of lender —though American corporations had established some Dutch branches before 1914. Beginning in colonial days, a considerable amount of Dutch capital was directly invested in developments in the New World. During the American Revolution, and throughout the greater part of the nineteenth century, Dutch capital shared in the floating of American loans and in the purchase of existing issues.

Since the World War, capital has moved in both directions between the two countries. That is to say, Dutch capital has continued to come into the United States, and meantime, American-controlled enterprises have expanded in Dutch territory. Dollar and guilder loans aggregating about 170 millions of dollars have been floated in the American market for Netherlands corporations, and for national and city governments of the Kingdom —part of which has now been paid off. At the present, the Dutch have American investments considerably in excess of their liabilities: on balance they are net creditors of America to the extent of roughly 900 million dollars.

## GREAT BRITAIN

Britain's earliest foreign investments of any moment were those made by companies organized in the sixteenth century for trade with Russia, with the west coast of Africa, with Turkey; and the East India Company, dat-

ing from the close of the century. While these companies at first invested the greater part of their capital in ships and cargoes, they were soon building warehouses and shipping stations in foreign countries. Somewhat later came the chartering of companies to trade with North America, the acquisition of plantations in the American colonies and the West Indies, the financing of trade in the colonies, and various other types of investment.

By the eighteenth century Britain had begun to reap returns from earlier foreign ventures. The investment in the East India Company was very profitable for its share holders, while ships returning from India brought back hundreds of men who had amassed their fortunes in the service of the company.[4] In the West Indies the prosperity of the sugar and coffee plantations provided fortunes for many. British merchants also realized large gains from supplying the Spanish and English colonies with slaves from Africa. The century was one of great activity; wild speculation; new techniques in manufacturing, mining, transportation, and finance; and one of social change. Large fortunes were built up, and a well-to-do middle class numbering many thousands of persons emerged.

While the Napoleonic Wars continued, there was urgent demand for the manufactures turned out by Britain's new machine industries. With the close of the war, in 1815, her capacity to produce was far greater than was called for by her existing home markets, and foreigners were not in a position to buy the volume of

[4] Jay Barrett Botsford, *English Society in the Eighteenth Century as Influenced from Overseas* (1924), p. 131. William Newmarch said that in 1838 it was pretty well established that the fortunes of civil and military servants of the East India Company and of merchants and others trading in India and China *annually* transferred home was not less than £6,000,000. *Journal of the Royal Statistical Society*, June 1878, p. 223.

manufactures she was ready to offer. Thus the victory at Waterloo was followed by the threat—and for some time by the reality—of large-scale unemployment of mines, factories, ships, and men. Then with funds provided by the new upper classes, Britain turned to foreign lending as a way of overcoming her difficulties.

In 1815 Britain was shifting to a net creditor position in her relations with other countries.[5] It is impossible to know the precise foreign loan and investment position of the country at that time, but the general opinion seems to be that her foreign liabilities were a little larger than her foreign investments. About 85 million dollars of the national debt was held abroad, and in addition, Bank of England and other company shares amounting to about 35 million dollars were held by the Dutch.[6] Short-term funds had also fled to England from various continental countries, to escape the consequences of political upheaval, but part of these were drawn back to the continent after Napoleon's retirement to St. Helena.[7] Against this indebtedness of more than 135 million dollars, the British had some 80 millions or more invested in the public debt of the United States and smaller sums in private enterprises in the United States, in the West Indies, in India, and on the continent of Europe.[8]

[5] In 1776 the Dutch held about three-sevenths of the national debt (or 295 million dollars). With foreign holdings in non-government enterprises at approximately 51 million dollars (according to an estimate made in 1762), the total debt to foreigners was roughly 346 million dollars. C. K. Hobson, *The Export of Capital* (1914), p. 87.

[6] G. R. Porter, *Progress of the Nation* (1851), pp. 628-29. William Fairman, *An Account of the Public Funds*, 7th ed. (1824), pp. 229-31, estimated the national debt held by foreigns in 1806 at well over 100 million dollars. He also gives estimates of company shares held by the Dutch in 1762 and 1806.

[7] Leland H. Jenks, *The Migration of British Capital to 1875* (1927), pp. 6-10; Porter, *Progress of the Nation*, pp. 628-29.

[8] Hobson, *Export of Capital*, pp. 91-97.

By 1825, Britain's foreign assets exceeded her foreign obligations. From 1817 to 1825 foreign government loans with an aggregate face value of 235 million dollars were floated on the London stock market. Descriptions of the London market in this period sound strangely like those of the frenzied bull market of modern New York. The loans handled were smaller, but the spirit was the same. There were loans to the Spanish colonies to help prosecute their revolutions; to Spain to cover government deficits resulting from the wars against her colonies; to Russia for continuing the retirement of her paper currency; to Prussia for rearmament; to Austria for military purposes; to Greece; to Naples; to France. Stock companies were formed to open mines in various South American countries, to establish banks there, and to put various other enterprises into operation.[9]

To the British public the flotation of 235 million dollars of foreign government loans in this period probably meant an aggregate outlay of not more than 175 million dollars. To the foreign borrowers they meant receipts of considerably less. For example, a 10 million dollar loan to Greece in 1825 netted the borrower only 3 millions, and similar terms were given to other borrowers.[10]

Some of the ventures of this period were enormously profitable. Many were unprofitable—to British investors and foreign borrowers alike. Mining ventures in South America and Mexico in the main resulted in losses to the investor, but "there was no question of the success of the companies as a matter of promotion."[11] Project after

[9] Jenks, *Migration of British Capital*, pp. 37-38, 43-55, 60.

[10] The same, pp. 46-47. The proceeds of this loan amounted to 5.7 million dollars, of which 1 million was used to pay interest to the British holders of the issue, and 1.7 millions were for commissions and for supporting the market for the loan.

[11] The same, p. 54.

project repeated with variations the recurrent tale of investors' hopes, bankers' profits, borrowers' disappointments with the paucity of their receipts, defaults, refunding agreements, and provisions for new loans.

Following 1825 there were a few years of stagnation, succeeded by more and larger foreign loans. During the 1830's came British purchases of the securities of various states, banks, and canal companies of the United States. Large loans were again made to foreign governments, to Turkey and Egypt in particular. There was also a large migration of British funds, British machines, and British engineers to the continent of Europe to build up the lace and textile trades and also the metallurgical industries of France, Belgium, and the Germanies.[12]

The 1840's were mad years of railway building at home and abroad. In the fifties and sixties English capital went into Canadian and Indian railway building. Throughout Europe English capital was providing public utilities and opening mines, while English banks and merchants were supplying short-term credit to all comers.[13] By the middle of the nineteenth century London had become a cosmopolitan market where securities from all over the world were handled and to which people of many nations sent their funds for investment.

Britain's shift from a debtor to a creditor nation was followed shortly by a shift in her foreign trade position. During the pre-Waterloo period her commodity exports exceeded her imports. Income from the ocean carrying trade,[14] marine insurance, and trade commissions sup-

[12] The same, pp. 181-85.

[13] The same, pp. 188-92, 199, 200-04, 210-19.

[14] By 1654 the British had attained recognition as a naval power, one of the conditions of the peace treaty which Cromwell concluded with the Dutch that year being that Dutch ships—both war and merchant—should strike their colors and lower their top sails on meeting English

plemented the commodity export surplus in providing net payments due to foreigners on Britain's foreign obligations. In some years something was left over for investment abroad; in others, new foreign borrowings were required. By 1825 commodity imports were beginning to equal or exceed exports,[15] and from this time forward the trade figures for most years showed net imports of commodities, bullion, and specie.

It has been estimated that in the nineteen years 1858-76 imports of commodities, bullion, and specie exceeded exports by about 5.5 billion dollars, and that this was entirely offset by income from shipping earnings, marine insurance, and commissions.[16] In short, during this period Britain was able to re-invest abroad an amount equal to her entire income from earlier foreign investments. This, of course, does not mean that the growth in foreign investments was directly related to and dependent upon dividend and interest receipts. To a considerable extent, the relationship was between commodity exports and new investments. For example, in the thirty years 1848-77, capital goods to the value of about 4 billion dollars were exported from the British Isles, a movement largely as-

ships at sea. By 1815 England had emerged without a rival as a shipping nation. J. L. and B. Hammond, *The Rise of Modern Industry* (1926), pp. 37, 40.

[15] Porter, *Progress of the Nation*, p. 356, gives foreign and colonial trade values from 1801 to 1849. These suggest that the change from a commodity export to import surplus probably took place about 1825. At any rate, an import surplus of sizeable proportions was clearly established and has been consistently maintained since 1855, the year in which imports were first reported in "real or declared" values. Early trade figures are discussed by Botsford, *English Society*, pp. 67, 178-79; Porter, *Progress of the Nation*, pp. 223, 261-65, 566; *Journal of the Royal Statistical Society*, June 1878, p. 288; Hobson, *Export of Capital*, pp. 164-69.

[16] Newmarch, *Journal of the Royal Statistical Society*, June 1878, p. 220; also Bourne's comments and computations on p. 291 of the same issue.

sociated with the investment of British capital. There were exports of railway iron to America, for which immediate "payment" was made in American railway securities. Iron sent from England represented about one-third of the capital cost of the British-financed Indian railways.[17] Meantime, the returns from some earlier investments abroad came into the country as imports of tea, spices, tobacco, sugar, and other colonial produce —shipped in by British companies operating abroad.

A considerable part of the increase in Britain's foreign portfolio resulted from the tremendous discounts that Britain, like other creditor countries, charged on early loans. In the 1820's a Spanish government loan was sold at 26, and loans to Brazil, Greece, and Mexico were sold to the public at 54 to 59 per cent of par. Loans to Peru, Buenos Aires, and other issues for Brazil and Mexico, sold at 75 to 89. A loan to Naples sold at 91½ and none exceeded this figure.[18] In 1869 a 60 million dollar loan for Portugal was sold to the public at 32½, or a total of 19.5 million dollars. From this there were deductions for bankers' commissions and other costs, leaving Portugal net receipts of about 17 millions, or about 28 per cent of the face of the loan.[19] Honduran loans of 1867, 1869, and 1870, with an aggregate face value of 25 million dollars, and an interest rate of 10 per cent, were

[17] Jenks, *Migration of British Capital*, p. 174.

[18] From Hobson, *Export of Capital*, p. 101, and a table compiled by Hyde Clarke, *Journal of the Royal Statistical Society*, June 1878, pp. 313-18. Prices to subscribers who paid promptly were somewhat lower. Jenks, *Migration of British Capital*, p. 49.

[19] Hyde Clarke quotes Sir Robert Giffen on these loans as follows: ". . . there had taken place in a few years before 1872 frequent issues of loans for foreign countries so called, which were only disguises to plunder the public. . . ." (*Journal of the Royal Statistical Society*, June 1878, p. 329.) The subject matter is also covered by Jenks, *Migration of British Capital*, pp. 272-75, 277.

sold to the British public at 80—from which the Honduras government received practically nothing.[20]

Eventually there were almost certain to be defaults on loans such as these, and some scaling down in principal, but even after reductions of 50 or even 65 per cent or more in the face value of some of them, they still represented obligations for the borrower well in excess of his receipts. They brought losses to individual British investors, but little if any loss to the nation as a whole.[21] Until default and refunding occurred, loans such as these increased Britain's claims against her debtors out of all proportion to the actual outlay of goods and services they had cost.

The pre-war growth in the value of Britain's foreign investments has been estimated roughly as follows: In 1815 foreign investments and foreign obligations were practically in balance. By 1854 Britain was a net creditor country to the extent of nearly 3 billion dollars. By 1895 her net investments abroad amounted to 8 or 9 billion dollars. At the end of 1913 gross assets were estimated at 20 billions; but there are no available data concerning the offsetting obligations which presumably amounted to several billion dollars.[22]

[20] The loans were defaulted, and after the passage of 50 years were refunded, Honduras agreeing to pay a total of 6 million dollars over a period of 30 years. The *Chronicle*, Nov. 7, 1925, p. 2220.

[21] This was pointed out by Hyde Clarke (and reported in the *Journal of the Royal Statistical Society*, June 1878, p. 321), as follows: "It becomes a question whether these are to be regarded as foreign loans, or as loans from the public to the persons concerned in their concoction. . . . Although in the name of an Honduran or Liberian bond, our English subscriber may have parted with his money and lost it, . . . yet as another person has got possession of his money, there is no national loss, though that is no satisfaction to the victim."

[22] Hobson, *Export of Capital*, pp. 202-04. The estimate for 1913 is from Sir George Paish, the *Statist*, Feb. 14, 1914, and is a gross, not net figure. Dollar figures have been converted from sterling at $4.86⅔.

The British have been the principal creditors of the American economy since very early times, playing a very important role in furthering the economic development of the United States. However, it is of interest to recall that some British securities were held by Americans even before the Revolutionary War, and some American-controlled enterprises were established in Great Britain before the middle of the nineteenth century. During the World War, Britain's investments in the United States were reduced, and large loans were obtained from American banks and investors and from the United States government.

At the peak of the war-time borrowing, Britain probably was a net debtor to the United States on private account, and a large debtor if the loans of the United States government are included in the reckoning. Following the War, British debts to American investors and American banks were scaled down very rapidly. In fact, by the close of 1919, the aggregate amount of such liabilities was several million dollars smaller than the total of British investments in the United States. On private account Britain was again the creditor of the American economy. Since then Britain has continued to reduce her American obligations, and at the present time is America's creditor for a net sum of more than a billion dollars. This leaves out of account the debt to the United States government—the principal amount of which is almost 4.4 billion dollars.

### FRANCE

When the seventeenth century opened, France surpassed Great Britain in wealth, industrial skill, and foreign trade. Eighteenth-century France manufactured silk, cotton, and woolen textiles of superior quality, and was developing certain metal industries. In these she

used her abundant water power resources, harnessed to machines that were largely of English invention. Coal was less plentiful and more difficult to mine, and hence, the use of the steam engine and the attending revolution in industry came more slowly than in England.

Napoleon, on coming to power, built weaving sheds, encouraged invention, organized certain financial institutions, developed a commercial code of law, built canals and roads, and by 1802 had brought Belgium—with her coal supply and well organized industries—within the French frontiers. The country was, of course, predominantly agricultural, and remained so during the nineteenth century. The Revolution made the peasant a landowner, and kept him from falling into the depths of misery suffered by agricultural laborers in England.[23] French inheritance laws discouraged the wide differences in the distribution of wealth then characteristic of Great Britain. All of these were factors affecting the producing and consuming power of France. Some of them put limitations on her accumulation of capital available for export.

The several shifts in government from the days of the Revolution to the establishment of the Third Republic were accompanied by the alternate flight and recall of *émigrés* and alternate drains and return flows of capital. The peace treaty following the defeat at Waterloo imposed an indemnity which the French, in 1816, insisted could not be met from their own resources—even though the withdrawal of a foreign army of occupation was conditioned upon its payment. Eventually (1817) Baring

[23] Porter gives a picture of agricultural conditions in France in the early nineteenth century (*Progress of the Nation*, pp. 83-85, 111-14) that is in strong contrast with that which the Hammonds painted of agricultural conditions in England at the same time (*Rise of Modern Industry*, pp. 93-96).

Brothers, and the Amsterdam house of Hope and Co., floated a loan for which the initial subscriptions came very largely from London.[24] *Emigrés* then returning to France carried some of these bonds with them, and the success of the loan abroad also recommended it to investors at home. It has been estimated, however, that in 1827 about 20 per cent of the loan was still held in Great Britain.[25]

By 1820 the French market had so far recovered that it could arrange a loan for the Spanish government—though this was underwritten in London and most of it placed there.[26] From 1823 to 1825 a number of foreign issues were sold in Paris, including loans for Prussia, Austria, a Baden lottery, an additional loan for Spain, and during the crash in the London market in 1825 the Bank of France was able to loan 2 million pounds to the Bank of England.[27] In the thirties and forties the Paris market took only a limited interest in foreign government loans and none at all in non-government issues, but some French enterprises were established in Belgium.[28]

The foreign assets of the French were offset by British direct investments in France. Lace and linen mills at Lille and St. Quentin were established not long after

[24] This was a 5 per cent loan, of which the first and second issues sold at 55, and a later issue at 64. The bankers bought at five points below the issue price. By 1830 the loan was regularly quoted well above par. Jenks, *Migration of British Capital*, pp. 31-41; Clarke, *Journal of the Royal Statistical Society*, June 1878, p. 302; J. H. Clapham, *Economic Development of France and Germany* (1921), p. 133.

[25] Hobson, *Export of Capital*, p. 105.

[26] Jenks, *Migration of British Capital*, p. 45.

[27] Hobson, *Export of Capital*, p. 104 and footnote on pp. 129-30.

[28] Clapham, *Economic Development of France and Germany*, p. 134. In 1830 the French government made its first expedition into Algeria but that was a political venture. Ferdinand Schevill, *The History of the Balkan Peninsula* (1922), p. 440.

the Peace of 1815, to cover up the smuggling of such goods into France. In 1824 there were three important machine shops in France, all run by Englishmen. In 1842 reports of British consuls showed not less than sixteen British factories and foundries in France.[29] In addition, British capital and British engineers were helping build the railways of France.

It would seem that down to 1848-50 France had not clearly established her position as a creditor country, but the turning point must have come at about this time. In the fifties French capital was becoming a power on the Continent. A British potato famine in 1845, with a grain shortage and credit disorders the next year, caused the British to sell in Paris some of their French railway securities in order to provide funds for importing food supplies. When the crisis had passed, English funds again moved into French railways. In the early fifties the shares of twenty French railway companies were quoted in London, but such companies were becoming more largely French in ownership than formerly. Still there was only one among the twenty that had no British member on its board of directors.[30]

In 1852 the Crédit Mobilier was organized, its purpose being to mobilize the private resources of France for promoting various undertakings, particularly public utilities at home and abroad. This company was French, but at times as much as one-third of its stock was in English hands.[31] In 1854, de Lesseps obtained authority

[29] Jenks, *Migration of British Capital*, p. 180.

[30] The same, pp. 156-60, 164-65.

[31] The same, pp. 240-45; Hobson, *Export of Capital*, p. 129; André Liesse, *Evolution of Credit and Banks in France*, U. S. National Monetary Commission (1909), pp. 96-108.

to build the Suez Canal, and in 1858 shares to a total of 40 million dollars (200 million francs) were issued, 52 per cent subscribed in France, and most of the remainder taken by the Egyptian government.[32]

It has been estimated that in 1850 French investments abroad amounted to 500 million dollars (2.5 billion francs);[33] but foreign investments in France were probably not less than this amount. Twenty years later French investments abroad amounted to about 2.4 to 2.8 billion dollars, while foreign holdings in French enterprises and loans amounted to something like 400 million dollars.

In 1870-71 the economic development of the country was again interrupted by a war fought and lost on home territory. The resulting loss of Alsace and Lorraine carried with it the loss of some of the leading iron and steel works of France and an important part of her textile industry. It was thought that she had also parted with practically all of her iron reserves, but deeper drilling revealed a reserve tonnage greater than that ceded to Germany.[34] Again an indemnity was required, which was met in large part by the sale of foreign securities and by borrowing in London, Berlin, and Amsterdam.[35] For some fifteen years or more French foreign investments in excess of foreign obligations were somewhat less than at the opening of the Franco-Prussian War. By 1890, however, the net figure again amounted to about 2.4 to

[32] Hobson, *Export of Capital*, p. 129.

[33] Harold G. Moulton and Cleona Lewis, *The French Debt Problem* (1925), pp. 323-40. Dollar figures for the pre-war period have been converted at the rate of 5 francs to the dollar.

[34] Edwin C. Eckel, *Iron Ores* (1914), p. 309.

[35] More details are given in Moulton and Lewis, *The French Debt Problem*, pp. 439-48.

2.8 billion dollars, and by 1914 stood at roughly 7.6 billion dollars.[36]

French trade figures help explain the shift in position from net debtor to net creditor. In 1815 French foreign trade was considerably less than it had been 23 years before, and recovery to the level of 1792 was not reached until 1836. By that time Britain had forged well ahead.[37] Down to 1840 an excess of exports over imports was the rule.[38] During the years of rapid railway development, 1840-47, when English railway materials were imported, and again for a few years in the fifties, imports were greater than exports. In the main the country had an export balance down to 1867. From that time forward, except for the four years 1872-75 when the indemnity payments to Germany were under way, and the single year 1905, commodity imports were in excess of exports.

In building up her investments, the net proceeds from foreign trade and from earlier foreign investments were supplemented by shipping earnings, commissions, and income from the tourist trade—for in the eighteenth century and earlier, the wealthy families of England, of Russia, and of other continental countries, had included among their regular expenditures an occasional "cultural trip" to Paris.[39]

[36] Neymarck in 1908 (*French Savings and Their Influence*, U. S. National Monetary Commission, p. 174) said that France was everywhere a creditor and nowhere a debtor. This statement is true, however, only if it is understood to apply to her net position.

[37] Hammond, *Rise of Modern Industry*, pp. 40, 45; Clapham, *Economic Development of France and Germany*, pp. 53-64.

[38] 1830, a year of revolution, was an exception. French trade figures and the method of their compilation are discussed by Moulton and Lewis, *The French Debt Problem*, pp. 309-21. Figures for the years 1801-48 are given in Porter, *Progress of the Nation*, p. 400.

[39] Referred to by Botsford, *English Society*, p. 110.

It was probably in the seventies that France first began to have, year after year, a real excess of imports in her commodity trade with other countries. But France was not, like Britain, eager to receive goods in part payment of interest and dividends from earlier investments abroad. There was never the pressure, experienced by England, of a growing population and a diminishing agricultural output. She undertook to supply her needs from her own production and from that of her colonies. Gold she did not produce and was glad to import. Some raw materials required in her manufacturing industries were welcomed. On the whole, however, imports of goods and services were kept at a minimum and foreign securities—mostly government bonds—were taken instead.

This preference for foreign bonds was an "acquired characteristic." In 1615 a French writer described his fellow countrymen as a saving people who preferred "to live sparingly at home in any employment, than to seek their fortunes in the colonies or in a foreign country."[40] Until the opening of the nineteenth century, they usually put their savings into land, the family stocking, or their own business concerns. In all of their investments, their main concern was safety, and they were willing to forego a high yield to obtain it.[41]

The cautious French investor was not permitted to seek security in his own way, however. His government on many occasions undertook to encourage and direct the placement of his funds, often to his own great disadvantage. This began at an early day. John Law's fam-

[40] E. Vidal, *History and Methods of the Paris Bourse*, U. S. National Monetary Commission (1910), p. 136, quotes this from Montchretien's *Traité d'Economie Politique* (1615).

[41] Hobson, *Export of Capital*, p. 146.

ous company, designed to exploit French interests in Asia, Africa, and America, was one encouraged by the Regent, the Duke of Orleans, when searching "for a means of financial salvation." Before this company failed in the spring of 1720—about a year before the British realized that their own South Sea Company was only another bubble—it had drawn in practically the whole French nation.[42]

On a later occasion, 1785, the Comptroller General excluded from the market the shares of a Spanish bank founded by a Frenchman a few years before, and was party to a vicious attack on the bank which was too much favored by French capitalists at a time when their support was wanted for a government loan.[43] Again, in 1868, the interests of the investor were subordinated to government policy. When the Austrian government made an arbitrary conversion of two loans issued in England and another in France, the London Stock Exchange removed all Austrian securities from its list, but such action was not permitted in Paris. "It was supposed," said an English writer ten years later, "that the Emperor Napoleon had used this affair as a part of his system of concessions to the Court of Austria to encourage them in the French alliance."[44]

The greatest foreign investment losses realized by the French during the World War were on their loans to Russia and Turkey, loans which had been encouraged by the French government in the main for political purposes rather than for advantages likely to accrue to the individual investor. The Turkish loans date back for their

[42] The story of the Mississippi bubble is well told by J. R. Moreton Macdonald, *A History of France* (1915), Vol. II, pp. 299-306.

[43] Vidal, *History and Methods of the Paris Bourse*, p. 146.

[44] Clarke, *Journal of the Royal Statistical Society*, June 1878, p. 304.

beginning to 1535 when Francis I acquired important commercial privileges in the Ottoman Empire, maintained thereafter at the expense of new and larger loans. In 1914 more than half the foreign capital in industrial, financial, and railway enterprises in Turkey was French. French loans to the Russian government began in 1888, followed by larger loans in 1889 and 1891, which paved the way for an alliance between the two countries.[45] By 1914 Russian friendship had cost the French investors almost 2½ billion dollars—all of it lost with the collapse of the old Russian Empire.

War-time sales and losses reduced the French portfolio of foreign securities by 58 per cent, and the depreciation of the franc—in which many issues were written—cut the value of these assets still further. Meantime, obligations to foreigners had been increased by the war loans issued in Great Britain and the United States. Since the War some foreign loans have been issued in Paris—guided by the same governmental policies and motives that controlled the pre-war lending. These have not proved attractive to the French investor, who has preferred short-term balances abroad to long-term political loans. Because their war losses have imbued the *rentier* class with greater caution and distrust, the French government itself has provided the funds for many of the political loans to foreign governments during the post-war period.[46] Some of these were made after the depression began, when other countries had stopped lending. At the present time France still maintains her position among the creditor countries, but in comparison with 1914, the net balance of her assets is very small.

[45] Emile Bourgeois, *Modern France* (1922), Vol. II, p. 306.

[46] Royal Institute of International Affairs, *The Problem of International Investment* (1937), Ch. XII.

Like the British and Dutch, the French were early investors in America and their loans to the struggling colonies played an important part in establishing the nation. During a long period of American history, however, the government of France discouraged investments in the United States, in favor of political loans elsewhere —particularly to Russia and Turkey. However, French investors acquired some American securities, and during a few years preceding the World War French bankers were able to handle large loans for several American railways.

Liquidations and borrowing early in the War reduced such holdings of American assets and increased the obligations payable in the United States. By the time the United States entered the War, France undoubtedly was a net debtor to the American economy. French indebtedness to this country reached its peak with the large loans placed here in 1924, and since then has been scaled down. At the present time American investments in France are approximately equalled by French holdings of American securities, bank balances, and direct investments. This leaves out of account the war debt of the French government to the government of the United States, the principal amount of which now stands at almost 3.9 billion dollars.

### GERMANY

During the first three-quarters of the nineteenth century, the energies of the German people were largely centered on their own difficult political and economic situation. At the opening of the century there was no single German state, but a loose union of some 300 separate states—all "foreign" with relation to each other, and all potential enemies. This number was soon greatly

reduced, many of the smaller units having been swallowed by their larger neighbors. In 1834 the newly established tariff union, or Zollverein, brought a certain amount of economic unity. In 1866 a real federation was formed comprising all of the German states—22 in number—north of the River Main. Not until 1871, however, was political unity realized by the addition of the three South German states (also Alsace-Lorraine) and the creation of the German Empire.

This late comer among the modern states of Europe was a poor country.[47] Its economic development had been paralyzed by the Thirty Years War (1618-48) and little recovery was possible during the next century and a half when a series of European wars was fought on German soil. Thus, in 1800, mediaeval conditions of agriculture, trade, industry, and labor still survived. Even the population of the German states in 1800 was little if any greater than in 1600. Capital was scarce, the per capita figure for Prussia in 1845 being about one-fourth of that for England. It was an agricultural country, of serfs and large landholders; and was almost without towns. The twelve German towns that were largest in 1914, had an aggregate population in 1815 of about 750,000—when Paris alone had more than 500,000.[48]

At the time of Waterloo, German industries were still in the handicraft stage, and were unable to compete with low-priced products of the new English machines when

[47] Hammond, *Rise of Modern Industry*, pp. 39-53; Clapham, *Economic Development of France and Germany*, p. 32; J. Riesser, *The German Great Banks and Their Concentration*, U. S. National Monetary Commission (1911), pp. 27-28.

[48] Clapham, *Economic Development of France and Germany*, pp. 32, 82. By 1850 these twelve towns had grown to an aggregate population of 1,340,000; Paris to more than 1,000,000.

the blockade imposed by Napoleon was removed. By 1840 the number of steam engines in the industrial area of the Zollverein was only 500 as compared with 5,000 in England in 1810.[49] As late as 1846 hand looms were used in Prussia in all textile industries except cotton, and even in cotton less than 4 per cent of the looms were driven by power. German building of hard roads began in Bavaria in the 1750's, and was not extended to Prussia until after 1800.[50] Railway building began about 1843. Most of the metal-working industries were still at a primitive level in the forties—though Berlin was attempting to develop a machine industry—and iron for building German railways was imported from Great Britain.[51]

Since Germany's own resources were quite inadequate for developments under way after Waterloo, they were supplemented by funds from other countries. Some foreign capital was directly invested in German enterprises, for example, the British in 1826, and later, helped install gas-lighting systems in the principal German towns.[52] To a much greater extent, short-term funds were borrowed abroad—at first from London, later also from Paris. In the principal German cities in the fifties, there were commission houses that operated entirely upon short-term credits continuously renewed in London. In the panic of 1857, when British funds were called home, the outstanding acceptances of Hamburg merchants alone amounted to 153 million dollars. The banks of issue for the many little German states existed largely upon funds procured indirectly from London.[53]

[49] Riesser, *The German Great Banks*, p. 30.
[50] Clapham, *Economic Development of France and Germany*, p. 108.
[51] Riesser, *The German Great Banks*, pp. 31, 34.
[52] The same, p. 34.
[53] Jenks, *Migration of British Capital*, pp. 189-90.

Railway building gave access to Germany's important coal resources, previously utilized to a very limited extent. The coal made possible large-scale use of the excellent iron ores of the country. In 1880 Germany (with Luxembourg) produced considerably less than half as much pig iron and steel as the United Kingdom. By 1910 she had outstripped that country in both industries. On the basis of coal and iron there developed a wide variety of metallurgical industries, particularly after 1870, and an industrial boom began that finally carried Germany into the front ranks of the industrial nations of the world. An important element in the promotion of German industry was her educated middle class, already in existence in the forties.[54]

With the domestic market too limited to absorb the growing product of the developing machine industry, the expansion of foreign markets for German goods was accepted as necessary for the promotion of domestic industries. To this end a many-sided national policy was evolved in which the acquisition of colonies and the export of capital were definitely included.[55] In this movement the recognized and avowed leaders were the great credit banks—some dating from the fifties but more of them organized in the period after 1870.[56]

The export of capital from Germany was not a new phenomenon, nor were the descendants of the old Hanse merchants novices in world trade. Prussia, in 1772, had undertaken to increase her foreign sales by organizing

[54] Clapham, *Economic Development of France and Germany*, pp. 87-96, 103. The industrial development of Germany after 1871 is discussed by Earl Dean Howard, *The Cause and Extent of the Recent Industrial Progress of Germany* (1907).

[55] Charles D. Hazen, *Europe since 1815* (1923), Vol. I, p. 294.

[56] The subject is discussed in detail by Riesser, *The German Great Banks*, pp. 420-60; and the function of the banks in financing foreign trade on pp. 427-32.

the Seehandlung, a financial institution provided with funds from the King, but this "bank" soon turned its attention to domestic finance. On many occasions in the thirties and later, when the English were obtaining concessions for railways, public utilities, and the development of natural resources throughout the world, German bankers, principally Jewish firms from Frankfort, participated in the financing. In the fifties and sixties a number of these banking houses established branches in Paris, London, and other financial centers. German bankers were also among the higher officials of the Crédit Mobilier from its establishment in Paris in 1852.[57] The Darmstädter Bank, dating from 1853, organized a silent partnership in New York in 1854 and another in Paris in 1857, and in the period 1858-64 handled two Swedish state loans and one Swedish mortgage loan, a Russian state-guaranteed railway loan, and participated in a Rothschild syndicate issuing an Austrian state lottery loan.[58] Prior to 1870, however, these activities developed in connection with the profit-seeking efforts of individual banks and businessmen.

Accompanying the industrial developments which followed the establishment of the Empire in 1871, the export of capital became national in character. To facilitate the financing of foreign trade the great banks established foreign branches in all parts of the world. They gained foreign concessions, built railways abroad, established commercial houses in important trade centers, participated in the organization and management of

[57] The same, pp. 49-50. Some banking firms in Berlin, Cologne, and Mainz also were involved in foreign lending at this time.

[58] The same, pp. 62, 64-65. This Bank in its first report, 1853, stated "that the Bank's organs both at home and abroad were to facilitate the export trade as well as the innumerable relations of German industry to the money market." The Disconto-Gesellschaft also took part in some foreign financing at this time. These were the two most prominent German banks before 1870.

foreign mining and industrial ventures, bought up shares in existing companies abroad, and made Berlin a financial center where foreign enterprises might obtain funds.[59] The amounts involved in these various transactions aggregated many billions of marks.[60]

The change in Germany's status from a debtor to a creditor country began with her receipt of the indemnity from France in 1871-73. This payment provided funds available for reducing foreign obligations, for investment abroad, or, of course, for the import of foreign gold, goods, or services. By 1893, foreign assets exceeded foreign obligations by something like 3 billion dollars and by 1914 Germany was a net creditor for approximately 5 billion dollars.[61]

About a decade after Germany had established herself as a creditor nation her foreign trade shifted from an export to an import basis. In the fifties she had been a heavy exporter of grain, but between 1865 and 1875, "the scales tipped slowly."[62] Net imports of textile raw materials also became the rule, but against these imports there was an expanding volume of manufactured exports. During the greater part of the seventies, commodity exports more than sufficed to cover the cost of imports. Thereafter, the two were practically in balance until in 1888, when imports exceeded exports by more than 50 million dollars. This figure was quadrupled the

[59] The same, pp. 420-60.

[60] It was estimated that German holdings of foreign government securities amounted to approximately 2 billion dollars in 1878. Ernest Seyd, *Society of Arts Journal*, 1878, p. 406, cited by Hyde Clarke in the *Journal of the Royal Statistical Society*, June 1878, p. 319.

[61] The French indemnity of 1871 is discussed in Harold G. Moulton and Constantine E. McGuire, *Germany's Capacity to Pay* (1923), Chap. VII. Germany's debt and investment position is discussed on pp. 259-60, 277-84.

[62] Clapham, *Economic Development of France and Germany*, pp. 210-12.

following year and from then until the outbreak of the World War the commodity trade each year showed net imports of some 250 to 500 million dollars. The deficit on trade account was increased by payments made to migratory workers employed during peak seasons in German industries, primarily in agriculture. Income from commodity exports was supplemented by interest and dividends on German investments abroad, shipping earnings (practically non-existent before 1850), banking and trade commissions, railway and river craft earnings for carrying foreign-owned goods across German territory, and remittances from emigrants.

A study of the figures indicates that the supply of new funds available for investment abroad was extremely meager. Even after she had attained a position among the creditor nations, Germany was unable to break away from dependence on foreign short-term funds. With money rates as a rule higher in Berlin than in London, Paris, and Amsterdam, the German banks were able to realize an appreciable profit by discounting German bank acceptances in these cheaper markets or by depositing private German bills there as collateral for short-term loans. In some cases, London and Paris banks advanced credit even when the hypothecated bills were not of "prime quality," agreeing to hold the collateral in their own vaults until redeemed and taken up by the borrowing German banks. In 1899, such short-term borrowings in London were "on a particularly large scale."[63] In 1911 when trouble between Germany and France was brewing over conditions in Morocco, considerable evidence of German borrowing operations in Paris came to light. It was estimated at the time that about 125 to 150 million dollars of short credit were obtained from foreigners

[63] Riesser, *The German Great Banks*, pp. 212-14.

each year, and that about half of this was not based on merchandise transactions but represented purely money borrowings.[64] In 1917 an investigation by the British government showed that among the liability items of British banks, the caption "debtors in enemy countries" represented a considerable aggregate amount.

In addition to borrowing on short account, Germany obtained some foreign funds through the sale abroad of notes and bonds of the imperial, state, provincial, and city governments, and securities of a few German corporations. In the main, such German financing was handled at home, but in the two and one-half decades preceding the World War some such offerings were made simultaneously in London, Amsterdam, Brussels, Antwerp, and Basle. New York bankers also participated in a modest way in a number of German issues.[65] Foreign branch factories and sales offices established in Germany also brought foreign funds into the country—but like German borrowing abroad they increased the country's obligations to foreigners. On the whole, it was only by the systematic and shrewd employment of short-term funds from abroad, and by making the most of every bit of foreign exchange available that Germany was able to maintain and improve her position among the creditor nations.

War-time sales and peace treaty requirements resulted in the loss of most of Germany's foreign assets. Post-war borrowing has been on a large scale. The net result is that on private account—that is, with reparation obligations barred from the reckoning—the country is

[64] Schwarz, *Diskontpolitik* (1911), p. 122 cited by Fritz Schmidt, *Internationaler Zahlungsverkehr und Weckselkurse* (1919), pp. 28, 393. Kurt Singer holds that throughout the pre-war period German foreign investments were to a considerable extent made possible by short-term borrowings. *Wirtschaftsdienst,* July 7, 1922, pp. 660-61.

[65] Riesser, *The German Great Banks,* p. 381.

now numbered among the principal international debtors. American bondholders are the country's principal creditors.

The German states bought large amounts of American railway bonds during the two decades that preceded the establishment of the German Empire in 1871. They were attracted by the high rates of return obtainable, and by the comparative safety of such investments. Thereafter—when the migration of capital from Germany was in part directed in accordance with a national plan for strengthening the country's political and economic position in an international way—German purchases of American securities fell considerably below those of the British. The funds available for such investment were relatively scarce, and care was being taken to distribute them widely. Moreover, a considerable part of the funds placed here was used to establish German-controlled enterprises that provided carefully planned auxiliaries of German trade and industry. In the latter part of the pre-war period, Germany was a borrower as well as an investor in the United States, but in 1914 she was the country's net creditor of second importance.

During the War, all of the German investments in the United States were lost, either by direct sales or through the action of the American government. However, in 1919, strange as it may seem, Germany was still a creditor of the American economy for more than a half billion dollars—the amount of German property in the hands of the Alien Property Custodian. In 1924, when the Dawes Plan was put in force, Germany entered on a new role, as a large borrower in the American and other money markets. At the present time, German obligations to the American economy are considerably below the 2 billion dollar peak reached in 1929. German

investments in the United States are at a very low level. On balance the country is a net debtor to American banks and investors for not less than 800 million dollars—increased to 2 billion dollars if the claims of the United States government are included.

America's financial relationships with other nations have undergone important changes in the course of the past century and a half. The trend of events during the past thirty or forty years shows interesting points of similarity with what occurred earlier in the principal pre-war creditor countries; and also some differences. From the brief summaries given above, it appears that the shift from debtor to creditor status in the United States was made under conditions more nearly like those in Great Britain than in the other countries considered.

During the course of the World War, America became a creditor nation, second only to Great Britain. Meantime, the country's capacity to produce expanded greatly, encouraging continued investments abroad after 1919. In the post-war period, a stream of capital has flowed out to all parts of the world, and counter-flows in smaller amounts have come in—greatly increasing the country's net creditor position. Of America's pre-war creditors, however, only Germany is now her debtor—if private investments alone are considered. With inter-government loans included, practically all countries everywhere, except the Netherlands—and probably Switzerland—are now her debtors. The explanation is that the intergovernment loans were made principally to the leading European belligerents in the War. The private investments of the American people, however, are very widely distributed—with a relatively small part placed in the Netherlands, Great Britain, and France.

## CHAPTER XXIII

# ISSUES FOR THE FUTURE

The two decades that have elapsed since the United States ceased to be a debtor to other countries have served to dispel some of the illusion surrounding the concept of "creditor nation." So long as the flotation of new loans to foreigners provided them with a substantial part of the funds required for meeting interest charges on old loans, the situation appeared altogether favorable. But with the coming of the depression, and the cessation of lending, we were confronted with wholesale defaults, moratoria, and standstill agreements. Thus we found that at times the creditor's role was fraught with almost as much difficulty as that of the debtor.

Looking forward, we find that America's stake in international investments presents many difficult questions. These are concerned with the future of existing foreign investments (long-term loans, short-term credits, and direct investments); with opportunities for a resumption of the flow of capital abroad; and with similar questions regarding the flow of foreign capital *to* the United States. In terms of the interests of individual investors they relate to the prospects for pecuniary gains, for the expectation of profit remains the touchstone by which investment opportunities are tested—account being taken of the element of safety, and of alternative investment opportunities. In their broader aspects, these issues are interrelated with the whole problem of national economic well-being and with decisions concerning government policy in numerous fields.

It is beyond the scope of this study to attempt definitive answers with respect to the many problems involved.

All that we can undertake here is to summarize the results of our factual investigation in relation to the primary economic problems involved and to reveal the character of the issues which emerge from the analysis.

### THE FUTURE OF EXISTING INVESTMENTS

The sharp curtailment of interest and dividend receipts from abroad that began in 1931 has created deep concern with regard to the future of existing foreign investments. At the low point reached in 1933 the income received from private investments abroad was only 50 per cent as large as in 1929; and in 1936 only 58 per cent.[1] With the war debt obligations excluded, these ratios are reduced by some 7 to 10 points. The safety of our present foreign holdings, and the prospects for larger future returns on these holdings, are therefore questions of importance in relation to the present and future loan and investment situation.

*The magnitude of the collection problem.* At the middle of 1937, private investors in the United States had approximately 13.2 billion dollars placed abroad in all types of foreign holdings. This included 4.9 billions of privately held bonds, of which about 1.9 billions were in default.[2] The foreign obligations held by the United States government on war debt account amounted to 11.4 billions—excluding accumulated interest. The figures are summarized below by investment classes.

[1] To some extent, of course, the reduction of receipts on private investments is explained by the maturing or repatriation of American holdings; but defaults and the shrinkage in payments on direct investments have been of primary importance.

[2] Offsetting investments held by foreigners in American securities, properties, bank deposits, etc., amounted to about 8.2 billions at the middle of 1937. But inasmuch as these obligations to foreigners represented wholly independent transactions they can not be deducted from the amount owed by foreigners to the United States when we are considering the safety of our foreign investments.

| | | Billions of Dollars |
|---|---|---|
| Privately held foreign bonds | 4.9 | |
| Foreign shares | 0.4 | |
| Short-term credits | | 0.7 |
| Direct investments | | 7.2 |
| All privately held investments | | 13.2 |
| War debts due the United States government | | 11.4 |
| Total | | 24.6 |

Interest and dividends actually received in 1936 on all private investments aggregated 568 million dollars. Defaulted interest for the year on privately held bonds amount to roughly 100 million dollars, while the shrinkage in dividends and profits on direct investments—in comparison with the amounts transferred to the United States in 1929—amounted to roughly 150 million dollars.[3] Thus with interest resumed on defaulted bonds and with direct investments restored to pre-depression levels, the receipts from interest and dividends in 1936 would have amounted to more than 800 million dollars. The 1936 instalment due on the war debts aggregated 317 million dollars, of which only 1 million was paid.

*How payments are being made.* For the purpose of indicating the problems involved in connection with an expansion of receipts on interest and dividend account, it is helpful to show how the payments actually received in recent years have been made possible. We are not concerned here with the ways in which foreign debtors have procured funds within their own countries, but

[3] This estimate was derived by subtracting 1929 interest receipts (calculated on the basis of loan data in Appendix E) from the figure given by the Department of Commerce for all income received from private investments abroad in 1929. (*Balance of International Payments of the United States*, 1936, p. 35.) Present opinion appears to be that the figures compiled by the Department of Commerce probably understate the receipts from direct investments in 1929.

with the means by which such funds have been made available to creditors and equity holders in the United States. In other words, we are here considering what is known as the transfer problem.

Interest and dividend payments received from abroad during the difficult years 1931-36 are shown in the accompanying table, with comparable data for 1924, 1929, and 1930. The figures show separately the foreign payments on private investments and on the war loans payable to the United States government. The last four columns of the table show the large classes of international transactions that, taken together, provide the means of making, or transferring, these payments.

Interest and Dividends Received by Americans, 1924 and 1929–36
Compared with All Other American Balance of Payments Transactions to Show How Payments Were Transferred[a]
(In millions of dollars)

| Calendar Years | Interest and Dividends from Foreigners[b] | | All Other Transactions[c] (Net imports of goods, services, money, and securities) | | | Errors and Omissions (Residual item)[d] |
|---|---|---|---|---|---|---|
| | On Private Account | On War Loans | Goods and Services[c] | Gold, Silver, and Currency | New Loans to Foreigners | |
| 1924....... | 455 | 182 | *75* | 266 | 386 | 60 |
| 1929...... | 979 | 207 | 739 | 135 | 217 | 95 |
| 1930...... | 916 | 241 | 528 | 258 | 752 | *381* |
| 1931..... | 662 | 113 | 615 | *166* | 490 | *164* |
| 1932...... | 461 | 99 | 429 | 91 | 192 | *152* |
| 1933....... | 487 | 20 | 292 | *83* | 336 | *38* |
| 1934....... | 493 | 1 | 33 | 1,329 | *386* | *482* |
| 1935....... | 521 | — | 338 | 2,075 | *1,537* | *355* |
| 1936....... | 568 | 1 | 722 | 1,188 | *1,150* | *191* |

[a] Compiled from the U. S Dept. of Commerce, *Balance of International Payments of the United States, 1936*, pp. 94–95. Figures in italics represent net *exports* of goods and services, money, or securities (including *American* securities as well as foreign). Italicised figures in the errors and omissions column are opposite in sign from the figures in roman type.
[b] Including payments from American-controlled enterprises operating abroad.
[c] Including interest and dividends paid to foreigners (but excluding interest and dividend receipts from foreigners).
[d] Since the figures are lacking in precision, the two sides of the account are out of balance by the amounts indicated in this column. The errors or omissions entering into this total presumably are found in numerous detailed items.

This table shows that in 1924 the interest and dividends received by Americans were not fully covered by

our commercial transactions and currency movements. The balance was covered from the proceeds of new loans. In 1929-30 such receipts had increased considerably, and again they were only partially covered by commercial and specie transactions. Additional loans once more accounted for the balance, with short-term credits playing a very important role in 1930. In the acute depression years 1931-33 the reduced volume of payments was covered in substantial part from the proceeds of security purchases in foreign markets and from funds deposited abroad by timid American investors when the banking situation at home was deteriorating.

The period 1934-36 reveals a striking change in the situation. During these years foreigners found the means for making certain payments on interest and dividend account—in the amounts indicated in the first and second columns of the table—and also large additional amounts that they used for improving their investment position in the United States. The measure of this net movement of investment funds into the country is indicated by the italicized figures in the next to the last column of the table. In short, the flow of international capital was reversed, and funds were flowing to, rather than from, the United States.

This inflow of funds from abroad represented in part a return of American funds previously sent abroad for safety, and the transfer here of liquid foreign capital—in search of safety or of larger returns, or for the repurchase of foreign securities held here. It is evident that the return flow of American capital did not provide dollar exchange for foreigners. The funds transferred here for investment by foreign individuals and foreign corporations might, theoretically, have been utilized for the payment of interest to American investors. However,

the foreigners making these investments were not identical with those having interest obligations to meet in the United States.[4] As the table indicates, the inflow of capital during these years was accompanied—and made possible—by an enormous increase in American imports of gold, silver, and currency.

The tremendous inflow of gold itself raises a serious question for the future. During the three years 1934-36, net imports of gold aggregated 4 billion dollars—or 43 per cent more of the precious metal than was produced in all countries of the world, except the United States, during these years. These imports served to reduce further the already depleted gold stocks of other countries and to increase the redundant supplies of this country. This is not the place to consider the bearing of these vast gold movements upon the financial stability of particular countries or of the world in general. Our interest here is merely in pointing out that in any case gold imports of this magnitude cannot be a permanent factor in the situation.

Net imports of gold continued in large volume through the first ten months of 1937, aggregating 1,546 million dollars. With the coming of the new American depression, however, the situation has changed. In comparison with 262 million dollars in June, net imports in November were reduced to 22 millions. By December, gold movements had dropped to small proportions: imports amounted to 33 million dollars (of which 19 millions came from Japan); exports, to 15 millions; with net imports for the month only 18 million dollars.

This great reduction in gold imports indicates an altered attitude with respect to the relative advantages of the United States as a place of investment, at this

[4] This point is considered at more length on pp. 494-96 below.

juncture. The flow of new funds to this country is declining, and some funds previously sent here are being withdrawn. It is not impossible that the year 1938 may show a reversal of the trend of preceding years, with gold—and capital—again flowing out. In such case, of course, America's foreign obligations would be reduced, and her net creditor position improved.

*Differences among the debtors.* The figures given on page 490 above, and in the table on page 491, are aggregates covering the obligations and the current transactions of *all* foreign countries in their relation with the United States. As such, therefore, they throw no light upon the debt burden involved for *particular* countries, nor upon their debt-paying prospects. The table given on page 414 shows that the defaults on privately held bonds have been principally on German and South American issues, while the table on page 422 shows that the British and French governments are the principal debtors to the United States government.

Of the foreign capital that has been invested in the United States during recent years, only a small proportion has come from Germany and Latin American countries. The earliest available information on this point shows that at the beginning of 1935 Germany and the whole group of Latin American countries had very small amounts of short-term funds in the United States, and on balance were short-term debtors here.[5] By the end of September 1937, Germany had reduced her short-term indebtedness in the United States somewhat, but on balance was still a net debtor here on short-term account. The Latin American group, on the other hand, had accumulated a sizeable total of bank deposits, and on bal-

[5] U. S. Treasury Dept., "Statistics of Capital Movements between the United States and Foreign Countries," *Report No. 5* (1938), p. 9.

ance has shifted to a moderate credit position on short-term account. Both Germany and the Latin American countries have repatriated some of their dollar bonds formerly held here. However, the methods used by Germany brought reprisals in the form of higher American tariff rates, and such repatriations were discontinued.[6]

So far as Germany is concerned, the data with regard to capital movements afford no indication that payments on defaulted issues might have been made in lieu of new investments here. With regard to the Latin American group the situation appears a little more promising, but a much more detailed analysis would be required for even an approximate answer concerning probable future payments on defaulted Latin American bonds. To which countries do the accumulated deposits in American banks belong: to those in default, or to others? What was the source of the deposited funds: were they accumulated from current trade and service transactions, or were they acquired through transfers of gold that were in effect transfers of capital accumulations of earlier periods? Since most of the South American debts were incurred on government account, an analysis of the budgetary situation in each of the defaulting debtor countries would also be required in order to determine the amounts available for future interest payments.

With respect to the war debts the situation is essentially different from that outlined above. Sums payable by two governments—the British and French—represent more than 80 per cent of the total; and these two countries also account for a large proportion of the foreign capital placed in the United States in recent years.

[6] The *Commercial and Financial Chronicle*, 1936: June 6, p. 3766; Aug. 8, p. 841; Aug. 15, p. 1000; Aug. 22, p. 1163; also referred to on p. 416 above.

During the two years and nine months from January 1935 to October 1937 the people of these two countries had invested a net total of 1.4 billion dollars in American securities and short-term deposits. Of this amount, 77 per cent came from the United Kingdom—some of it invested here by British owners, and some by other foreigners who had originally placed it in Great Britain for safekeeping.

So far as the transfer problem is concerned, therefore, it seems likely—though not conclusively shown by these figures—that Great Britain and France might have been making current payments on their war debts to the United States government. It should be borne in mind, however, that these capital transfers are probably temporary in character. Moreover, the transferred funds are not the property of the debtor governments, but are privately owned—and thus the problem of the war debts is dependent on the budgetary and taxation situation in the debtor countries. It is also interrelated with the exigent problems arising out of depression conditions and current changes in the world political situation. Consideration of these issues obviously lies beyond the purview of this study.

*Trade expansion as a factor in capacity to pay.* The discussion thus far has been based on the assumption—apparent but not explicitly stated—that the volume of international trade and financial transactions in recent years has been representative. However, it is well known that world recovery in international trade has lagged materially behind domestic recovery. Therefore, assuming that within the next few years we may expect a substantial expansion in world trade and service operations, would not the whole problem presented by existing investments abroad be more or less automatically solved?

There can be no doubt that an expansion in the volume of international trade would increase the earnings of American enterprises operating abroad—and therefore would probably increase the dividends and profits transferred to this country. During the depression, the shrinkage in receipts from such enterprises has been related more or less directly to the shrinkage in world trade.

In many cases, decreased earnings have been directly related to decreased American imports. This is particularly true with regard to many American industries abroad that ship their output direct to the United States either for consumption or for processing and re-export, for example: rubber from American plantations in the Middle East, Brazil, and Liberia; oil from Venezuela, Colombia, Mexico, and from American-controlled wells in other producing countries; sugar from Cuba, South America, Mexico, and the Philippines; bananas and other tropical fruits from the West Indies and Central America; copper, silver, gold, bauxite, and iron-alloy metals from American-controlled mines all over the world.[7] A further expansion in business within the United States, accompanied by increased imports of these commodities, would therefore serve to increase American earnings from such enterprises abroad.

With regard to privately held bonds—both those on which interest is now being paid, and those in default—a substantial recovery in world trade would be helpful from the point of view of increased earnings, though it might not solve the transfer problem. Generally speaking, it would, of course, mean greater earning power and revenue for debtor governments and corporations.

[7] The American investment abroad in such industries under American control, with allowance for purchasing organizations and a small miscellaneous investment, was 3 billion dollars or less out of the 7.2 billion total in all American enterprises abroad.

Whether it would ease the problem of transfer, however, would depend upon future trends with respect to the international balance of payments of the United States and of the debtor countries.

Concretely, if American imports were expanded relatively to exports, and if at the same time our payments to foreigners in connection with shipping, the tourist trade, and other services should greatly increase, the means of converting foreign currencies into American dollars would be generally improved.[8] A recovery that was unaccompanied by developments of this sort would leave the problem unsolved.

From the foregoing analysis it is evident that the situation with regard to interest and dividends over the course of the next few years cannot be readily predicted. There is no assurance that international trade and service transactions and gold movements will be such as to permit the present scale of payments to continue without interruption. The prospect for a resumption of payments on private bonds now in default is even more problematical. The situation might possibly be relieved by changes in the volume and character of international trade and service transactions, but it is impossible to determine what the future will hold in this connection. Developments will depend in part on decisions made by American producers with reference to raw materials and markets; and by American consumers with reference to their purchases, vacation travel, gifts abroad, and other foreign expenditures. To an even greater degree, they will depend on the future of international commercial policies.

[8] At the same time, of course, this might not result in any improvement in the balance of payments situation of some individual debtor countries.

## FUTURE INVESTMENT OPPORTUNITIES

Since 1929 there has been a steady decline in the volume of American investments abroad—from a gross total of 17 billion dollars in 1929 to approximately 13 billions in 1937; or, with foreign investments in the United States deducted, from a net total of 8.1 billions in 1929 to roughly 5 billions in 1937. This trend, which is a sharp reversal of that followed from 1908 through 1929,[9] raises the question: Has the era of American foreign lending and direct investment abroad practically come to an end, and is it likely that our foreign investments may soon be equalled or even exceeded by our foreign obligations? Or, is there ground for believing that within the near future American capital may again be invested abroad on a substantial scale?

*Return to debtor status unlikely.* In considering the future creditor-debtor position of the United States we must bear in mind the means by which our foreign holdings have been reduced in recent years. This reduction has been brought about, it will be recalled, in part through the repatriation of depreciated foreign securities at a mere fraction of their original cost to American investors. At the end of 1937, foreign bonds still in default had a par value of slightly less than 2 billion dollars, and at present market quotations, could be repurchased at roughly 35 per cent of their original issue prices.

If we assume that difficulties in meeting payments on foreign bonds are likely to increase in the next few years, then we may perhaps expect further reductions in our holdings—at the expense of American bondholders. Liquidation of foreign indebtedness by this process, of

[9] Shown graphically by the chart on p. 456.

course, affords at best only partial payment of the amounts originally loaned.[10] Moreover, there are limits to the capacity of debtor countries to buy back their depreciated bonds.

On the other hand, interest on a substantial part of the foreign bonds held here will undoubtedly be met as it falls due, and the prices of these securities will remain at or near par. If we assume a gradual resumption of payments on the defaulted issues and a general improvement in connection with other foreign investments, we must conclude that we shall soon see an end to the process of reducing foreign indebtedness through the purchase of securities at greatly depreciated prices.

On the whole, one would have to conclude that the United States probably will not return to the position of net debtor. Much larger additional amounts of foreign funds than can be reasonably foreseen would have to be transferred to the United States for investment in American securities before we would be likely to reach a situation where our investments would be exceeded by our obligations.

*The possible role of new investments.* The possible renewal of American lending and investing abroad is of significance at the present time, not only from the point of view of providing profitable outlets for our abundant investment capital, but also because of its relationship to existing American investments abroad. Assuming that the total volume of world trade in goods and services might expand gradually and that helpful modifications of commercial policies are effected within the next few years, might not a further extension of credit serve

[10] This process of reducing indebtedness, it will be recalled, has also been extensively utilized by American debtors in the past. This is indicated on p. 26, for example.

to mitigate the transfer problem and expedite the process of restoring stable and balanced economic and financial relations?

Under the assumptions stated the answer would, *theoretically*, have to be *yes*. The proceeds of new loans would, immediately speaking, ease the exchange problem and, if the proceeds were devoted to productive purposes, the import requirements of the debtor countries might in due course be lessened and at the same time their capacity to export might be increased. Given a readjustment of American commercial policies which would permit a gradual expansion of imports and at the same time increase the payments made for foreign services, the whole situation might be gradually adjusted. It should be recalled in this connection that it was substantially by means of such developments that Great Britain and certain other countries were able to play the role of creditor in earlier times.

Numerous practical difficulties in the present world situation render the American problem today essentially different from that which formerly confronted creditor countries. Early in the nineteenth century when Britain made the shift from debtor to creditor status, that country was in a very advantageous position, not only industrially and financially, but also in the field of commerce. The era of railway building had scarcely begun, and the power age in general was still in its early stages. It was British machines and British locomotives—whose manufacture was made possible by the country's well-developed coal and iron resources—that ushered in the machine and railway age.

Demand for Britain's new "production goods" was world-wide: old and new countries alike wanted the railways and machines that were necessary for their

industrial development. Thus the products of Britain's principal industries found ready markets in foreign countries—while their free flow into the channels of foreign trade found little hindrance either in the form of competition from other countries or in the form of foreign tariff barriers. Moreover, Great Britain was in a position to supply these goods to foreign countries on credit. Of no less importance was the fact that she was ready to take payment for the loans in the form of goods—principally the foodstuffs and raw materials produced by her debtors.[11]

Under the circumstances, British bankers were able to charge tremendous discounts and commissions on some of the loans they floated for foreign governments and foreign industries; and if such issues defaulted, debt adjustments on very liberal terms were possible without any real loss to the British economy. British entrepreneurs were able to acquire control of foreign mining, agricultural, and forest resources, and build railways and other public utilities abroad on very advantageous terms. British consumers obtained the products of foreign countries at prices that declined as British capital helped expand foreign production.

The foreign investment situation that now faces the United States is very different from that which obtained a century ago. No virgin areas remain that are comparable with those existing at that time; highly developed industrial competitors are seeking foreign outlets for their products; and throughout the world there is an unusual degree of economic and political instability. However, the United States does produce many goods today that foreign countries want, and want desperately. We

[11] Britain's shift from a debtor to a creditor nation is discussed on pp. 461-69.

have no such overpowering advantage in any one field of industry as Britain had in the heavy industries during the nineteenth century, but we do have the advantages inherent in widely diversified manufacturing, coupled with high relative efficiency. Moreover, we have a great advantage over most of our competitors in that we have an abundance of investment funds and the financial machinery for making these goods available to foreigners on credit.

The difficulties in the present situation do not grow out of a lack of markets for our goods—if the goods are furnished on credit. Nor are they concerned with a lack of investment funds. The principal difficulty today is the inability of foreigners to provide themselves with the means of servicing the new obligations that would thus be incurred.[12]

*The problem of new loans.* The problem of new loans, and of interest payment thereon, is two-fold in character. It not only relates to the effects of the loans on the transfer problem, but also to the way in which the productive capacity of the debtors would be affected—account being taken of competitive conditions in world markets. That is to say, in order to make additional interest payments possible, it would be necessary in many cases for the proceeds of new loans to be used directly in the expansion of foreign production. The scope of this problem obviously extends far beyond the limits of the present study. It comprehends not only questions of world industry and trade—and commercial policy—but also the probable economic effects of unpredictable future events in the fields of politics and of scientific research and discovery. An approach to the problem may be indicated,

[12] Under existing conditions, the war debts and the Johnson Act effectively bar most European countries from the American markets.

however, and general issues raised for consideration.

Judging from the past, future lending abroad would not proportionally increase producing power in the borrowing countries. The table on page 663 indicates that, in the past, foreign governments accounted for roughly 70 per cent of the foreign loans taken in the American market. National governments accounted for 43 per cent; provincial and municipal governments for 16 and 11 per cent, respectively. Some government loans were issued for public works of various kinds and for reconstruction and relief, some for the service or repayment of debts (internal and external), and some for general budgetary purposes.

The foreign corporations that accounted for the other 30 per cent of the foreign loans covered by the table on page 663 were miscellaneous in character. In Canada roughly 65 per cent of the corporate loans were made to railways, 17 per cent to public utility corporations, and 18 per cent to industrial concerns. In Germany, about 32 per cent were made to mortgage banks and similar concerns for the financing of housing and urban real estate projects and mortgages; about 29 per cent to public utility concerns; and 39 per cent to other corporations. In Sweden the whole amount was advanced to the Kreuger and Toll, Swedish Match, and International Match corporations. In both Italy and Japan, utility projects accounted for 80 per cent of the total. In Chile and Colombia, mortgage and agricultural banks—under government control—were the only corporate borrowers; while in Mexico corporate borrowing was confined to the railways.[13]

In all countries combined, financial institutions (prin-

[13] These percentages, as indicated by the title on p. 657, are based on data that show the original amounts taken in the United States of loans still outstanding in whole or in part at the end of 1935. This

cipally mortgage banks) accounted for 19 per cent, public utilities for 26 per cent, railways for 28 per cent, and all other corporate groups for 27 per cent of the American loans to foreign corporations. In short, a considerable part of these corporate loans was utilized for improving the living conditions of foreign populations. Loans for strictly productive purposes accounted for a very small part of the total credit extended to foreign governments and foreign corporations.

At the present time it is probable that new foreign loans are wanted, principally for the purpose of easing the difficult budgetary situation of various governments. The dollar exchange furnished by the loans might be made available to the people of the borrowing countries for a variety of purposes—ranging from the payment of interest and dividends due in the United States, to the purchase of consumption goods such as wheat and pork, or the purchase of machinery and tools for the restoration or expansion of productive capacity. In short, it is likely that only a fraction of the total would be used for strictly productive purposes. However, to the extent that such new funds might become the basis of expanded currency and credit, they might indirectly help to increase productive activity.

In connection with corporate (or other) loans sought for the purpose of developing foreign productive capacity, we must ask whether such loans would offer attractive investment opportunities to the American public. In the main, such foreign corporate bonds would have to compete with the securities of domestic corporations, and would doubtless be classed as more speculative in char-

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group of loans probably furnishes a representative sample, although some differences in the distribution might appear if a cross-section were taken at some other date. See also pp. 357 and 369.

acter than the latter group. That is to say, such foreign bonds would probably make their principal appeal to the group of American investors ordinarily attracted by American shares. Thus, unless the bonds were offered on a high-yield basis, they would probably not attract much capital from this speculator-investor group; and even on such terms would perhaps prove less attractive to American capital than direct investments in foreign industries.[14]

*The outlook for direct investments.* Assuming that American capital should show a marked preference for participating in enterprises controlled and managed by Americans—as opposed to the stocks and bonds of foreign issuers—what is the outlook for the expansion of American direct investments in the future? What opportunities for development are offered by the natural resources and markets of the world? How are these affected by existing social trends?

The gradual disappearance of the frontier in most parts of the world has been accompanied by the exploitation of important natural resources. With these already utilized or appropriated, the resources remaining for the future are, of course, not so great as those of the past. However, some opportunities remain. Large new agricultural areas are still awaiting development and utilization for expanded production of cereal, cotton, and other commodities. The experiments of Ford and Firestone with South American and African rubber plantations furnish examples of recent successful ventures into such undeveloped areas. The mineral resources of some parts of the world, particularly equatorial South America and a large part of Africa, have not yet been fully explored and these may contain important new ore bodies

[14] If guaranteed, or issued directly, by foreign governments, they might have a wider appeal. In terms of this added assumption, however, the whole question becomes involved with fiscal and political considerations.

and oil fields. In the meantime, the relative advantages of investments in foreign mineral reserves are being increased by the heavy drafts on oil and ore resources of the United States.

The emergence of responsible governments in many backward countries is complicating investment problems in some parts of the world—putting an end to the "good old days" when the exploitation of labor, and of consumers, was practically unchecked by law, and when valuable rights and concessions were obtainable on extraordinarily easy terms. Changes with somewhat similar results are taking place in more advanced countries. Several Latin American governments, for example, are now undertaking to regain control of their natural resources and to protect their populations from foreign exploitation. In Mexico, the struggle under way between the government and foreign investors since the close of the Diaz regime still continues. At the end of 1937, foreign oil companies were in deadlock with the Mexican government over new wage rates imposed on the industry, and the government's endeavors to frustrate the companies' efforts to withdraw their tank cars and other equipment from the country. Early in January 1938 it was reported that the government of Ecuador was planning to review all its concessions and contracts with foreign companies. Affairs in China raise questions concerning the terms on which capital may be placed there in the future.[15]

Everywhere, new labor legislation, land laws, tax legislation, and government control of railway and public utility rates, are serving to reduce the profits formerly

[15] Unsuccessful overtures from Japanese industrial interests for a 50 million dollar loan to be used in developing the heavy industries of Manchukuo were reported early in 1938 (*New York Times*, Jan. 16 and 18, 1938). If the political situation had been different, such a loan might have been offered in the American market. The incident indicates, however, the preference of foreigners for loans in contrast with the direct investment of American capital.

realized on many kinds of entrepreneurial ventures, while political shifts of various kinds are further narrowing the field for such investments. Since these movements are world-wide, however, they do not, in general, greatly alter the relative advantages of investment opportunities in one area as compared with another.

New tariff laws, on the contrary, are opening some new investment opportunities abroad. Foreign tariffs, by raising prices of imported commodities, give assistance to capital—both foreign and domestic—invested in the protected industries. Thus, new foreign tariffs—expressions of a national desire for self-sufficiency in many countries, or demands for protection by powerful groups in other countries—serve to invite and encourage the migration of American branch factories into protected areas. At the same time, American tariff laws also encourage some capital and industry to migrate from the United States. This is particularly true of certain raw materials that attract processing industries from the United States when the raw materials are excluded from the American market.

In the light of the problems and conditions thus briefly outlined, it is apparent that definite forecasts with reference to the future of American foreign investments cannot now be made. We have seen that different countries vary widely in their capacity to meet existing obligations and, by the same token, in their capacity to service future loans. While the outlook with regard to future bond issues in the American market does not appear promising in general, there will undoubtedly be some loans that might be made on a safe and productive basis. Such bond issues, moreover, would have little to fear from the listing requirements by which the Securities and Exchange Commission undertakes to guard the

interests of American investors. Extensions of new foreign credits should, of course, be determined by considerations of safety and yield to the investor, for the individual investor is under no obligation to make foreign loans on any other basis.

Earlier pages of this chapter have made it clear that many opportunities remain for the direct investment of American capital abroad. Some of the commercial policies of foreign countries encourage the expansion abroad of branch factories and other subsidiaries of American industrial enterprises. In some cases, however, efforts are being made to restrict such developments. On the whole, the terms on which new concessions may be obtained and existing enterprises continue to operate are much less favorable than those offered even a decade ago. Changing world conditions undoubtedly have been narrowing the opportunities offered both for the extension of foreign loans and for the making of new direct investments abroad.

As it affects the public interest, the question of existing and future foreign investments is of broader scope than considerations of profits for individual investors. It is interrelated with questions of national and international financial stability, with the supply of raw materials available for domestic producers (and therefore more or less directly with the interests of consumers), with foreign outlets for the products of American industry (and therefore with the stability of employment for labor and capital), and with questions of international peace and good-will. This places on the government of the United States—and on foreign governments—the obligation that policies affecting international investments should be so designed as to safeguard the larger public interests at stake as well as the immediate interests of investors.

# APPENDIXES

# APPENDIX A

## THE REVOLUTIONARY WAR DEBTS

When the Peace Treaty was signed in 1783, a contract between the new American government and its foreign creditors was also signed and ratified. This set forth the amounts involved in the gifts and loans extended during the war period, and the terms of repayment agreed upon. The details of this contract are summarized below:

| Date Granted | Description | Millions of Livres | Millions of Dollars |
|---|---|---|---|
| 1776 | Gift of French king | 1 | |
| 1777 | Gift of French king | 2 | |
| 1778 | French loan | 3 | |
| 1779 | French loan | 1 | |
| 1780 | French loan | 4 | |
| 1781 | French loan | 4 | |
| 1781 | Dutch loan, guaranteed by the French court | 10 | |
| 1781 | Gift of French king | 6 | |
| 1782 | French loan | 6 | |
| 1783 | French loan | 6 | |
| | Total amounts: | | |
| | Given by French king | 9 | 1.66 |
| | Loaned by France | 24 | 4.44 |
| | Loaned by Holland[1] | 10 | 1.85 |
| | In all | 43 | 7.95 |

It was agreed that repayment of the 18 million livres loaned by the French during the years 1778-82 should begin in 1786, the last payment being due in 1798. Accumulated interest on this portion of the debt was can-

[1] A loan from Holland for 10 million dollars (25 million florins) was approved and ratified by Congress in September 1782, but not included in the loan contract of 1783. Only 2 million dollars of this loan were issued—during the years 1782-86—and repayments were completed during the years 1793-97, as required by the terms of the loans. Rafael Bayley, *National Loans of the United States* (1881), p. 102.

celled at the time of the contract, the rate payable thereafter being fixed at 5 per cent per annum. On the 6 million livres loaned by the French in 1783, repayments were to begin in 1787, the last payment being due in 1792. No interest was charged for the first year of the loan, the rate thereafter being at 5 per cent.

On the Dutch loan, interest at 4 per cent had been fully paid from the beginning, and this rate was to continue during the life of the loan. It was agreed that repayments of principal at 1 million livres a year were to begin in 1787, with the last payment due in 1792.

In addition to the amounts set forth in this statement, there was also a small debt, plus accumulated interest, payable to the royal Spanish treasury.[2] In 1778 the French king negotiated for a Spanish loan of 3 million livres to match his own loan. The debt statement drawn up by the Secretary of the Treasury January 9, 1790, showing the loans outstanding on December 31, 1789, includes an item of $174,011 due the royal Spanish treasury at 5 per cent. In addition, arrearages of interest on this loan, at 5 per cent, are included at a total of $65,998, of which $5,093 represents the amount in arrears on March 21, 1782; and $60,905 the unpaid interest for the seven years ending March 21, 1789. No mention of this loan is included in the loan contract of 1783.

There was also a debt to a French citizen, Beaumarchais—the same Beaumarchais who wrote the "Barber of Seville"—for supplies furnished during the Revolution. When some years later his heirs presented a claim for payment of this debt, they set the amount due at 4,689,241 francs (1 franc=1 livre) or $868,377. Because of an error in Beaumarchais' accounts, payment of this debt was long delayed. Franklin had found, in checking his own record of French gifts and loans against

[2] Timothy Pitkin, *A Statistical View of the Commerce of the United States* (1817), p. 308. See also Davis R. Dewey, *Financial History of the United States*, 1931 ed., p. 47.

that included in the loan contract of 1783, that his record showed loans of 2 million livres during the years 1776 and 1777, whereas the contract showed 3 millions. The explanation given him was that the additional million not shown by his own records had been given by Louis XVI to Beaumarchais, with the understanding that it was to be used for the colonies, and was to be treated as a gift to the colonies from the French crown. This 1 million livres was not only included in the loan contract, but was also included in Beaumarchais' statement of account. It was partly on the ground of this double accounting that the claim was allowed to drag along until in 1835 a payment of 810,000 francs, or $150,000, was offered and accepted in full settlement of the debt.[3]

When the Revolutionary War closed, Congress was unable to pay the army in full. Therefore, since there had been many foreign officers serving in the army, this meant the accumulation of a small foreign indebtedness not included in the loan agreement of 1783. Certificates issued to foreigners to cover this class of debt amounted to $186,989, on which redemption was begun in 1792.[4]

Interest payments on debts due in France and Holland were allowed to fall considerably in arrears. According to a report of the Secretary of the Treasury, no interest had been paid on the French debt down to the close of 1789, and only two years' interest had been paid to Holland. However, new loans floated in Holland made possible the repayment of principal and interest on earlier Dutch loans before their final due date in 1792, while an issue of refunding bonds in 1795 converted the debt payable to the French government in 1798, in

[3] Pitkin, *Statistical View*, pp. 307-09, 312; A. Fliniaux, "Un précédent de règlement de dettes interalliées," *Revue de droit international*, Vol. I, April-June 1927, pp. 274-97; Samuel Flagg Bemis, "Payments of the French Loans to the United States, 1777-1795," *New York Times Current History*, March 1926, pp. 824-31.

[4] Bayley, *National Loans of the United States*, p. 28.

livres, into a debt payable in American dollars over the period 1807-15.[5]

As soon as conversion of the debt to France was assured, the old livre bonds were acquired by an American, James Swan, who was then in Paris attempting to recoup his fortune through the sale of supplies to the French Marine. Accepting the bonds in payment for such supplies, Swan exchanged them for the new securities issued by the United States government, thus outwitting the leading investment bankers of the United States and Holland, who were ready and willing to handle the conversion transaction.[6] This conversion transaction gave the French government purchasing power in the United States. At the same time it was advantageous to the American government since it converted a foreign debt into one payable at home, and put off real payment some nine to seventeen years.[7]

[5] The same, p. 41.

[6] *Dictionary of American Biography*, Vol. XVIII (1936), p. 234.

[7] Edward Channing, *A History of the United States*, Vol. IV (1927), pp. 130-31, 176, indicates that early reduction of this debt was urged upon the United States by representatives of the French government in Philadelphia and also in Paris.

## APPENDIX B

# ESTIMATES OF FOREIGN INVESTMENTS IN THE UNITED STATES

For the purposes of Chapters VIII and XXI, a résumé is given in this appendix of various comprehensive estimates that have been published covering the investment of foreign capital in the United States. Most of these exclude some one or more types of investment and, in order to make them roughly comparable with others used in Chapter VIII, they must be built up by the inclusion of omission estimates.

The table on pages 518-19 gives estimates that summarize the results of certain basic investigations that have been made, and also some of the currently accepted estimates published from 1837 to 1936. These show not only the changing valuation placed on foreign holdings, but also the wide differences that appear in the inclusiveness of the data. Thus they indicate the need for revisions of the sort that are made in the sections below.

For the years 1914, 1919, 1924, and 1929 independent estimates are given in this appendix. They have been derived on the basis of some very comprehensive compilations of data with regard to various classes of foreign investments. The methods and data employed in arriving at these global figures are explained in detail in pages 529-59, this being, in fact, the principal task faced in the present appendix.

On pages 519-29 four pre-war estimates are considered in detail, and omission estimates supplied where necessary. Tables on pages 546 and 558 present the independent estimates derived here for 1914 and three post-war years. Finally, on page 560 the estimates (as accepted or revised) for a discontinuous series of years from 1803 to 1936 are given, with roughly comparable data for national wealth.

Amount and Comparability of Published Estimates, 1837–1936

| Year | Estimate (In millions of dollars) | Inclusiveness of Estimates | Reference[a] |
|---|---|---|---|
| 1837. . | 200 | All American securities | Estimate of the comptroller of the state of New York, quoted by the *American Railroad Journal* (1855, p. 54), with the comment that it is probably 50 millions too high. |
| 1843.... | 150 | State and municipal securities only | 27 Cong. 3 sess., H. R. 296, (Mar. 2, 1843), pp. 3, 7. |
| 1853.... | 222 | Nothing is included for commercial and bank debts, or for direct ownership of land and business enterprises | 33 Cong. 1 sess., S. ex. doc. 42 (Mar. 2, 1854). |
| 1860.... | 400 | Securities only | Stated as a currently accepted opinion. *Hunt's Merchants' Magazine*, October 1868, p. 242. |
| 1869.... | 1,466 | All types of investments, except commercial credits. | 41 Cong. 2 sess., H. R. ex. doc. 27, Report of David A. Wells, special commissioner of revenue (Dec. 29, 1869), pp. xxvi–xxxi. |
| 1883.... | 2,000 | All types of investments | *Review of Economic Statistics*, Vol. I (1919), p. 225, based on Paish's estimate that 1,535 million dollars of American railway securities were then quoted in London. ("Trade Balance of the United States," *Report of the National Monetary Commission*, 1910, p. 173.) |
| 1885.... | 1,900 | All types | The same, p. 226. Based on the estimate for 1883, and on withdrawals of capital by Europe reported by the *Commercial and Financial Chronicle*, Apr. 13, 1895, p. 632. |
| 1890.... | 3,000 | All types | The same reference and method of estimating. |
| 1893.... | 1,860 | Listed securities only | Georges Martin, *Journal de la société de statistique de Paris*, April 1891, p. 145. |

AMOUNT AND COMPARABILITY OF PUBLISHED ESTIMATES—*Continued*

| Year | Estimate (In millions of dollars) | Inclusiveness of Estimates | Reference[a] |
|---|---|---|---|
| 1895.... | 2,500 | All types | *Review of Economic Statistics*, Vol. I, p. 226. |
| 1899.... | 3,330 | Short-term credits excluded | Nathaniel T. Bacon, *Yale Review*, November 1900, pp. 265–85. |
| 1908.... | 6,500 | All types | Sir George Paish, *Report of the National Monetary Commission*, 1910, p. 174. |
| 1914.... | More than 5,000 | Securities held in Europe | *Bradstreet's*, Oct. 24, 1914, p. 690. |
| 1914 (July 1) | 4,500 | All types | *Review of Economic Statistics*, Vol. I, p. 230. |
| 1914.... | 7,000 | All types | Harvey E. Fisk, *The Inter-Ally Debts* (1924), p. 312.[b] |
| 1934 (Dec. 31) | 4,357 | Short-term credits excluded | U. S. Dept. of Commerce, *Foreign Investments in the United States* (1937). |
| 1935 (Dec. 31) | 5,109 | Short-term credits excluded | The same. |
| 1936 (Dec. 31) | 6,108 | Short-term credits excluded | The same. |

[a] All of the pre-war estimates tabulated above, except those for 1837, 1893, and Fisk's estimate for 1914 are cited in the *Review of Economic Statistics*, Vol. I, pp. 218–40.

[b] An estimate of 7 billion dollars for 1914 is also attributed to the Chief of the Bureau of Foreign and Domestic Commerce. (*Journal of Political Economy*, June 1915, p. 697.)

## I. FOREIGN HOLDINGS IN 1843

A committee of the House of Representatives estimated that state and city bonds held abroad in 1843 aggregated about 150 million dollars. Jackson, Van Buren, and the comptroller of the state of New York have all been variously quoted as estimating all classes of American securities abroad at about 200 millions.[1] These estimates do not include the short-term loans pay-

[1] Ernest L. Bogart, *Economic History of the American People* (1935), p. 327; William Z. Ripley, *Railroads: Finance and Organization* (1923), p. 304; *American Railroad Journal*, 1855, p. 54.

able to foreigners, nor their direct investments—in land, for example. If some allowance is made for possible over-estimating in the case of securities abroad, and if short-term obligations and direct investments are included at a minimum figure, the aggregate foreign indebtedness of the American people in 1843 may be put at not less than 225 million dollars.

The House committee's estimate for foreign-owned state and city bonds apparently includes all such debts before any scaling down or repudiation had taken place. Reference to pages 20 and 21 above shows that the debts of the states aggregated almost 200 million dollars in 1842. On January 1, 1843, they amounted to about 231.6 millions, and municipal debts aggregated approximately 27.5 millions.[2] The committee estimated that roughly 150 millions of these debts were held abroad.

While the Bank of the United States had been in the hands of a liquidating committee since early in 1841 and finally closed its doors "forever" in 1843, its obligations to foreigners may be included in the estimate for 1843—on the same terms as the debts of the defaulting states. Foreigners owned approximately 20 million dollars stock of the Bank, and had made loans to the Bank of at least 12.5 millions.[3] There is evidence that foreign holdings of the securities of other American banks, insurance companies, and railway and canal companies amounted to not less than 20 millions.[4]

Commercial and other short-term debts amounted to about 85 million dollars in 1836.[5] By 1843 some of these

[2] These figures were given by William Cost Johnson, chairman of the House committee referred to above.

[3] See p. 23 above. Frederick A. Cleveland and Fred Wilbur Powell, *Railroad Promotion and Capitalization in the United States* (1909), p. 281; Edward Channing, *A History of the United States* (1927), Vol. V, p. 450.

[4] A number of such holdings are cited on p. 20 above.

[5] G. S. Callender, "Early Transportation and Banking Enterprises," *Quarterly Journal of Economics*, November 1902, Vol. XVII, p. 145.

had been liquidated under the short-lived bankruptcy law passed in August 1841 and repealed in March 1843.[6] Some of them had probably been transferred to the shoulders of the Bank of the United States. If it is estimated that the amount outstanding in 1843 was only one-third as great as in 1836, or 28 million dollars, this assumes that this class of foreign obligations was no greater than in the pre-revolutionary period. Such an estimate, in view of the history of the country, is obviously low enough to offset possible over-estimates for other foreign debt items.

## II. FOREIGN HOLDINGS IN 1853

The estimate for 1853 was compiled by the Secretary of the Treasury in compliance with a Senate Resolution calling for a statement of the amount of American securities held in Europe and other foreign countries on June 30, 1853. The figures were presented in considerable detail and also in summary form.[7] The summary data are given below, in millions of dollars.

| | Total | Held by Foreigners |
|---|---|---|
| United States stocks | 58.2 | 27.0 |
| State stocks (bonds) | 190.7 | 111.0 |
| 113 cities and towns (bonds) | 79.4 | 16.4 |
| 347 counties (bonds) | 13.9 | 5.0 |
| 985 banks (stocks) | 266.7 | 6.7 |
| 75 insurance companies (stocks) | 12.8 | 0.4 |
| 244 railroad companies. stocks | 309.9 | 8.2 |
| bonds | 170.1 | 43.9 |
| 16 canal and navigation companies: stocks | 35.9 | 0.5 |
| bonds | 22.1 | 2.0 |
| 15 miscellaneous companies: stocks | 16.4 | 0.8 |
| bonds | 2.4 | 0.3 |
| Total | 1,178.5 | 222.2 |

[6] Leland H. Jenks, *The Migration of British Capital to 1875* (1927), p. 106.

[7] British writers severely criticized these estimates because of their

Classes of foreign holdings not included in this statement are bank loans and commercial debts, and direct ownership by foreigners in American land and business enterprises.

For the year 1857 the aggregate amount of bank loans and commercial debts was estimated at about 155 million dollars.[8] Direct investments, particularly in land and mortgages, amounted to several million dollars, but no precise estimate is possible for this class of foreign investments. In the aggregate, foreign obligations may be put at about 375 million dollars, short-term debts and foreign direct investments together being included at about the figure estimated four years later for the short-term debt alone.

### III. FOREIGN HOLDINGS IN 1869

One of the most thorough of the early studies of the international accounts of any country is that for the United States made in 1869 by David A. Wells, special commissioner of the revenue. It contains a detailed statement of all classes of foreign liabilities of the people of the United States, including not only foreign-owned securities of the state and national governments, of railway and mining enterprises, and of other types of industry, but also bank loans, bills of exchange, real estate mortgages, and so forth. The item of commercial credits seems to be the only one for which insufficient allowance is made in the estimate.

The figures as summarized by Wells are given below. It will be seen that as given they include 75 million dollars of short-term capital under the items "capital temporarily invested" and "Cuban moneys." If some 75

exclusion of the repudiated state debts. Comments from the *London Times* to this effect are quoted in the *American Railroad Journal*, 1854, pp. 262-63.

[8] The figure is given as £32,000,000. J. L. M. Curry, *Brief Sketch of George Peabody* (1898), footnote p. 8.

to 80 millions are added for other short-term items omitted, the total is raised to a little above 1.5 billions.

| | Millions of Dollars |
|---|---|
| United States bonds | 1,000.0 |
| State bonds | 100.0 |
| Railway bonds | 130.0 |
| Railway shares | 113.0 |
| Mining bonds and shares | 10.0 |
| Municipal bonds | 7.5 |
| Miscellaneous bonds and shares | 5.0 |
| Capital temporarily invested | 50.0 |
| Cuban moneys | 25.0 |
| Real estate mortgages, etc. | 25.0 |
| Total | 1,465.5 |

Wells' breakdown of the figures for state bonds "positively known to be abroad" is given below.

| | |
|---|---|
| Alabama | $ 1,483,260 |
| Georgia | 72,000 |
| Illinois | 1,400,000 |
| Louisiana | 5,235,933 |
| Massachusetts | 12,277,500 |
| Michigan | 800,000 |
| Missouri | 1,500,000 |
| New York | 2,440,999 |
| Ohio | 3,500,000 |
| Pennsylvania | 9,458,600 |
| Virginia | 7,523,500 |
| Total | $45,691,792 |

## IV. FOREIGN HOLDINGS IN 1899

Estimates of Nathaniel T. Bacon for about January 1, 1899 were compiled in a different way from the official estimates for 1869 and 1853 summarized above. Lacking the authority that attaches to a government investigation, Bacon found it impossible to arrive at satisfactory figures from data available in the United States. He therefore turned to European sources, making separate

estimates of America's obligations to each of the several creditor countries. His summary of this part of his investigation is given below.

| Creditor Countries | Millions of Dollars | |
|---|---|---|
| England | 2,500 | |
| Holland | 240 | |
| Germany | 200 | |
| Switzerland | 75 | |
| France | 50 | |
| Belgium | 20 | |
| Rest of Europe | 15 | |
| Cuba | 30 | |
| Other American and China | 15 | |
| | | 3,145 |
| Life insurance | | 185 |
| Total | | 3,330 |

1. Bacon obtained the figure for Great Britain as a lump sum estimate based on British income tax returns. He estimated that 75 million dollars, or half of Britain's income from foreign and Colonial sources, came from the United States—a proportion which unquestionably is considerably too large.[9] He then raised this figure to 100 million dollars to correct "for evasion of duty and profits which are made by corporations which pay an income tax only on the profits distributed to stockholders." Later writers have pointed out that the income tax figures, even after some improvement had been made in the schedules, still failed to identify income received from abroad each year from the following sources[10]—

[9] In his 1913 estimate of Britain's investments abroad, Sir George Paish estimated the amount placed in the United States at about 20 per cent of the total. *Statist*, Feb. 14, 1914; *Transactions of the Manchester Statistical Society*, February 1914 (session 1913-14).

[10] Sir George Paish, *Journal of the Royal Statistical Society*, September 1909, p. 469. In defending his estimate against those who pronounced it too large, Bacon pointed out that a great deal of "unproductive property" in the United States was owned abroad. He took this fact into consideration in capitalizing at 4 per cent.

usually included under the general head of "direct" investments:

> Concerns (other than railways) situated abroad, but having their seat of direction and management in the United Kingdom, for example, mines, gas works, water-works, tramways, breweries, tea and coffee plantations, nitrate grounds, oil fields, land and financial companies, and so forth.
>
> Concerns jointly worked abroad and in the United Kingdom, such as electric telegraph cables, and shipping.
>
> Foreign and colonial branches of banks, insurance companies and mercantile houses in the United Kingdom.
>
> Mortgages of property and other loans and deposits abroad belonging to banks, insurance companies, land, mortgage and financial companies, etc., in the United Kingdom.
>
> Profits of all kinds arising from business done abroad by manufacturers, merchants, and commission agents resident in the United Kingdom.

This source of error was not noted by Bacon. Finally he capitalized at 4 per cent the 100 million dollars which he attributed to the United States, thus arriving at the figure of 2.5 billion dollars for the amount Britain had invested in the United States. This figure, he said, had been criticized as being too large but he preferred not to scale it down. Comparison of his estimates with those of British writers suggests that his overestimate in attributing to the United States half of Britain's income from abroad is offset by his failure to take account of the various classes of income not identified as foreign in the income tax returns, and that on the whole his estimate is probably a fairly good one.

2. His estimate of Dutch holdings was drawn up for him by Adolph Boissevain & Co., who also estimated that a few years earlier Dutch holdings amounted to 50 or 100 million dollars more than in 1899. The Dutch figures, which are in terms of "market value," are given below.

| | Millions of Dollars |
|---|---|
| Railroad bonds | 140 |
| Railroad stocks and income bonds | 74 |
| U. S. state, county, and municipal bonds | 5 |
| Manufacturing and mining securities | 4 |
| Real estate mortgages | 10 |
| Real estate | 3 |
| Banking and commerce | 5 |
| Total | 241 |

3. His German estimate of 200 millions was obtained through the cooperation of two large banking houses in Frankfort. The rail list was estimated item by item for all roads in which the holdings were thought to be as much as 1 million dollars, with a lump sum figure of 1 to 2 million dollars added for county and city bonds. These figures, which like the Dutch are in terms of "market values," are as follows:

| | Millions of Dollars | |
|---|---|---|
| Central Pacific | 12 to | 15 |
| Southern Pacific | 15 | 17 |
| Northern Pacific | 20 | 25 |
| Missouri Pacific | 2 | 3 |
| Union Pacific | 2 | 3 |
| California Pacific | 3 | 4 |
| Oregon R. R. & Navigation Co. | 1 | 2 |
| Pennsylvania R. R. and Baltimore & Ohio | .. | 1 |
| Erie | 2 | 3 |
| Louisville & Nashville | . | 1 |
| Chicago, Milwaukee & St. Paul | 7 | 8 |
| Chicago, Burlington & Quincy | 2 | 3 |
| Illinois Central | 7 | 8 |
| Rock Island | .. | 1 |
| Denver and Rio Grande | 3 | 4 |
| Houston & Texas Central | .. | 2 |
| Pittsburgh, Cincinnati, Chicago & St. Louis | .. | 2 |
| Western New York & Pennsylvania | .. | 1 |
| County and city bonds | 1 | 2 |
| | | 105 |

He reported that one or more types of securities of some fifteen other railroad companies were also held in Germany, and there were quotations of United States fours, Alabama fours, and bonds of two counties and nine cities, these items probably aggregating not more than 15 million dollars. Finally, he stated that German investments in banking were fairly offset by shares owned by partners resident in America, and that there was almost no German money in American real estate or real estate mortgages and very little in manufactures. This probably understated the case somewhat, for the *Report of the Alien Property Custodian* shows a considerable number of German firms operating in the United States before 1899.

4. His figures for other countries were also obtained through foreign banking houses. These are not given in detail, though they are accompanied by some interesting notes on the investment history of these countries.

For our purposes, the investments of foreign life insurance companies may be excluded from the total—since they are more than offset by the claims of American policy holders, and since they have not been included in estimates given for other years. Two classes of foreign obligations not specifically included in Bacon's figures should be taken account of: short-term floating debts, and the direct investments of foreigners. The first of these may be put at roughly 250 millions for 1899. Correction for the second omission is more difficult to estimate.

The method followed by Bacon makes it impossible to judge what aggregate allowance has been made for direct investments. It would seem, however, that there is sufficient slack in his British, Dutch, and German figures to take account of most of the enterprises controlled by nationals of these countries, and it may be assumed

that like allowances have been included in the estimates for other countries.

An indication, but not an estimate, of the value of British direct investments in 1899 is afforded by Appendix C and Chapter V of this study. Enterprises shown there were included by Bacon only by indirection. His Dutch figures include 18 million dollars for real estate mortgages, real estate, and banking and commerce. Most, or all, of this may be taken as "direct." His German figure accounts definitely for only 125 million dollars, while an allowance of 75 millions is made for "important under-estimates of security holdings, and for real estate and other investments overlooked entirely." That German direct investments accounted for an appreciable part of the slack in this figure is indicated by the list below showing a few German companies that survived until 1914 and are known to have been operating in the United States in 1899.

| Date Incorporated or Acquired by German Interests | German-Controlled Companies |
|---|---|
| 1887 | American Metal Co. (Ltd.) capitalized at $1,000,000 in 1899 |
| 1889 | Roessler & Hasslacher Chemical Co., capitalized at $1,300,000 in 1915 |
| 1889 | Peter Schoenhofer Brewing Co., capitalized at $3,000,000 in 1889 |
| 1889 | United States Brewing Co., capitalized at $5,500,000 in 1889 |
| 1890 | Botany Worsted Mills |
| 1891 | Merck & Co. |
| 1894 | German-American Lumber Co. |
| 1896 | Kny Scherer Corporation, bought by A.G.F.M. |
| 1897 | L. Vogelstein, an agency of Aron Hirsh & Sohn |
| Before 1899 | Hamburg-American Line Terminal & Navigation Co. |

With the investments of foreign insurance companies excluded, and with 250 millions included for short-term

loans, the estimate for 1899 is almost 3.4 billion dollars. This figure cannot be labeled as representing either the market value or the par value of America's foreign obligations. From the method employed by Bacon it may be interpreted as falling somewhere between the two, somewhat lower than par, and somewhat higher than a valuation based on market prices.

## V. FOREIGN HOLDINGS IN 1914 AND 1919

There is considerable lack of agreement in the estimates usually quoted for foreign investments in the United States at the outbreak of the World War. Harvey E. Fisk, of the Bankers Trust Company, relying on Sir George Paish's studies of America's debtor position in 1908 and Britain's creditor position in the same and later years, used the figure of 7 billion dollars.[11] Bullock, Williams, and Tucker put the total at 4.5 billion dollars.[12] Dow, Jones & Co.,[13] basing their analysis on an inquiry covering 114 American corporations, estimated that the total "held in Europe" was in excess of 5 billions, of which 4 billions were in railway securities.

In view of the wide discrepancies in these figures, it seems necessary to undertake an independent estimate based on available primary sources. For this purpose three compilations of data are of value: reports by L. F. Loree, president of the Delaware and Hudson, covering his extensive study of American railway securities held abroad on four dates—January 31, 1915 to January 31, 1917; reports of the Alien Property Custodian showing the character and amount of German holdings remaining after America entered the War; and the report of the American Dollar Securities Committee, giving a detailed list of foreign securities which British nationals turned over to their government during the War. Paish's work

[11] Fisk, *The Inter-Ally Debts*, p. 312.
[12] *Review of Economic Statistics*, Vol. I, p. 230.
[13] Reported in *Bradstreet's*, Oct. 24, 1914, p. 690.

is of value as a check against information from other sources. Supplementary information is provided by gleanings from financial journals and manuals over a long period.

## A. The Work of Sir George Paish

Sir George Paish made a study of the "Trade Balance of the United States" which was published by the National Monetary Commissoin in 1910. In this he estimated the investments that the various creditor countries held in the United States in 1908. While this work was in process, he made a collateral study of British investments abroad at the close of 1908. In 1911 he elaborated this, giving a classification by industries of British capital in the United States.[14] These figures are based in part on British income tax returns, in part on a study of the financial reports of a great many British companies. His figures for countries other than Great Britain represent the currently accepted estimates of bankers—checked, in the case of France and Germany, against official investigations made in 1902 and 1905 respectively.

His classification by countries of the foreign obligations of the United States (at the close of 1908) follows

| | Millions of Dollars |
|---|---|
| Great Britain | 3,500 |
| Germany | 1,000 |
| Netherlands | 750 |
| France | 500 |
| Other European creditors | 250 |
| Total | 6,000 |
| Floating loans[15] | 400 |
| All obligations | 6,400 |

[14] These studies are published in 61 Cong. 2 sess., S. doc. 579 (1910), pp. 173-75; the *Journal of the Royal Statistical Society*, September 1909 and January 1911. The figures included for government bonds are in market values; the rest are in par values.

[15] This includes "produce bills, finance bills, loans against securities,

—conversion here, and for other data quoted from his articles, having been made at the rate of $4.86 to the pound sterling.

His breakdown of the British figure, by types of borrowers, is given below.

| | Millions of Dollars | | Millions of Dollars |
|---|---|---|---|
| Government | – | Iron, coal, and steel | 1.7 |
| Municipal | 38.4 | Mines | 105.1 |
| Railways | 2,849.1 | Motor traction and manufacturing | 1.9 |
| Banks | 4.5 | Oil | 17.4 |
| Breweries and distilleries | 55.9 | Telegraphs and telephones | 21.1 |
| Commerce, industry, etc. | 76.4 | Tramways | 14.3 |
| Finance, land, and investment | 152.8 | | |
| Gas and water | 5.5 | | |
| | | Total | 3,344.1 |

Early in 1914 Paish published a study summarizing Britain's foreign investments at the close of December 1913.[16] In this he put the amount in American railways at 2,996.6 million dollars, and the total amount in the United States at 3,667.4 million dollars. This revision of the British figure gives a basis for the 7 billion dollar estimate used by Fisk.

## B. Loree's Railway Data

Loree's data show the value of American railway securities owned abroad on four dates, the first report being for January 31, 1915, and the last for January 31, 1917. They were compiled from answers to questionnaires received from 144 companies—or from all roads in the United States more than 100 miles in length—of which 105 reported foreign ownership of some of their securities. They are tabulated in somewhat abbreviated form on page 532 below, the ten classes of securities

overdrafts, etc." The figure of 400 million dollars is given as a rough average for the year.

[16] *Transactions of the Manchester Statistical Society*, February 1914 (session 1913-14); *Statist*, Feb. 14, 1914.

shown in Loree's original reports being combined here into three broad classes. The lower section of the table shows liquidations during the several periods covered.

In using the figures to show pre-war foreign ownership and war-time liquidations, allowance must be made for certain sources of understatement pointed out by

LOREE'S RAILWAY DATA

I. FOREIGN HOLDINGS OF AMERICAN RAILWAY SECURITIES ON DATES SPECIFIED[a]

| Class of Security | 1915 Jan. 31 | 1915 July 31 | 1916 July 31 | 1917 Jan. 31 |
|---|---|---|---|---|
| Preferred stock: | | | | |
| Par. | $209,952,550 | $168,738,700 | $125,456,400 | $ 95,651,400 |
| Market | ... | 119,978,808 | 95,876,971 | 63,083,504 |
| Common stock: | | | | |
| Par. | 573,880,393 | 511,437,356 | 336,761,704 | 285,729,919 |
| Market | ... | 342,225,958 | 234,154,103 | 184,985,418 |
| Bonds: | | | | |
| Par. | 1,920,569,421 | 1,543,334,173 | 953,410,459 | 804,430,167 |
| Market | ... | 1,289,233,147 | 780,068,016 | 676,473,724 |
| Total: | | | | |
| Par. | $2,704,402,364 | $2,223,510,229 | $1,415,628,563 | $1,185,811,486 |
| Market | ... | 1,751,437,913 | 1,110,099,090 | 924,542,646 |

II. FOREIGN LIQUIDATIONS

(Computed from par value data above)

| Class of Security | Jan. 31, 1915–July 31, 1915 | July 31, 1915–July 31, 1916 | July 31, 1916–Jan. 31, 1917 | Jan 31, 1915–Jan. 31, 1917 |
|---|---|---|---|---|
| Preferred stock | $41,213,850 | $43,282,300 | $29,805,000 | $114,301,150 |
| Common stock | 62,443,037 | 174,675,652 | 51,031,785 | 288,150,474 |
| Bonds | 377,235,248 | 589,923,714 | 148,980,292 | 1,116,139,254 |
| Total | $480,892,135 | $807,881,666 | $229,817,077 | $1,518,590,878 |

[a] Loree's figures are given in greater detail in the *Chronicle,* Mar. 31, 1917, p. 1217.

Loree. (1) The figures exclude securities sold before January 31, 1915. (2) They exclude bonds in default, foreign ownership of bonds having been identified by slips filed by interest payers under provisions of the federal income tax law. (3) They exclude stocks held by American brokers and other nominees for the account of foreigners, as transactions on the books of the railways were depended upon for showing foreign ownership of stocks. (4) Finally, they exclude securities issued by railways less than 100 miles in length.

Estimates bridging these omissions are given below, thus providing an estimate of aggregate foreign holdings of American rails at the middle of 1914.

| | Par Value (Millions) |
|---|---|
| Railway securities held abroad on Jan. 31, 1915, according to Loree, aggregated . . . . . . . . . | $2,704 |
| Liquidations during the seven months July 1, 1914-Jan. 31, 1915, at the average monthly figure shown by Loree's figures for the six months Jan. 31, 1915-July 31, 1915 | 561 |
| Defaulted railway bonds held abroad in 1915, based on a check of bonds in default against information regarding foreign purchases of such issues . . . | 475 |
| Nominee holdings of common and preferred stocks for foreign account . . . . . . . . . . . | 400[17] |
| Foreign holdings of the securities of roads less than 100 miles in length amounted to about . | 30[18] |
| Total foreign holdings of railway securities, June 30, 1914 | $4,170 |

## C. The Alien Property Custodian's Report

Reports issued by the Alien Property Custodian, particularly the *Report* for 1919, give information concerning the amount of Germany's investments in the United States still remaining after that office had been created and filled in October 1917. This is of interest for the

[17] The estimate for nominee holdings may be too low. Calculated at 1934 rates (U. S. Dept. of Commerce, *Foreign Investments in the United States*, 1937, p. 49), the figure is 552 million dollars.

[18] This figure is a minimum estimate, based on a scrutiny of the railway securities shown in the American Dollar Committee's list. For example, bonds of the Detroit, Grand Haven and Milwaukee (96 miles in length, whose entire stock of 1.5 million dollars was owned by the Grand Trunk of Canada) were shown in that list to a total of 3.4 million dollars. Bonds of the New York Connecting Railroad (8.96 miles), guaranteed by the Pennsylvania and the New York, New Haven and Hartford, are in the list at 1.2 millions. The Chicago and Western Indiana (51 miles), controlled through stock ownership by five American roads and probably not reported by any of them, had bonds of 3.8 million dollars reported by the Committee. The Terminal Railroad Association of St. Louis (42.44 miles), controlled by several railway companies, had 3.6 millions of bonds in the Committee's list. A considerable number of others, some independents, some terminal companies controlled jointly by a number of roads, are in the list for smaller amounts.

light it throws on Germany's direct investments here, the bulk of her more liquid security investments having been disposed of before America entered the War. It was the function of this office to take over all property in the United States belonging to Germany and Austria. Property belonging to subjects of Bulgaria and Turkey was not demanded except in the case of a few Bulgarians.

In the *Report* for 1919 (page 9) it was estimated that the total value of enemy property taken over by the Alien Property Custodian amounted to 700 million dollars. The amount actually realized from the sale of these assets, exclusive of German ships, was approximately 662 million dollars.[19] A classification by nationality of owners[20] is given for the portion appraised and entered on the books at the end of 1919, as follows:

| | |
|---|---|
| German | $296,119,299 |
| Austrian | 39,555,557 |
| Americans in Germany and Austria | 91,866,053 |
| Bulgarian, Turkish, and other enemy | 40,371,355 |
| Income from the Treasury's investment of enemy funds | 839,771 |
| Total | $468,752,035 |

The item "Americans in Germany and Austria" represents property of Americans whose residence abroad—in Germany for the most part—had been so long continued or whose social and business relations with Germany were such as to indicate a preference for living there.[21] Since this item represents property that in the past had yielded income habitually spent in Germany, it

[19] Explained further on pp. 124-25 above.

[20] *Report* for 1919, pp. 202-03. The German figure given here excludes $34,193,690 of German shipping taken over by the Custodian and shown in his report.

[21] The *Report* explains that, generally speaking, property was not taken over in the case of Americans detained in Germany by circumstances or conditions beyond their control (p. 8).

represented a foreign asset for the German economy and is so treated in the analysis below.

A classification by kind is also given for the appraised portion of this enemy-owned property,[22] as follows:

| | | |
|---|---|---|
| Cash: | | |
| From liquidation of stock holdings in Hawaiian companies | $10,635,214 | |
| From liquidation of manufacturing interests in the United States | 23,878,699 | |
| From public and private sale of merchandise | 6,711,562 | |
| Other cash | 39,131,044 | |
| | | $ 80,356,519 |
| Stocks | | 166,969,393 |
| Bonds | | 60,862,354 |
| Mortgages | | 12,705,542 |
| Notes receivable | | 5,811,934 |
| Accounts receivable | | 48,727,292 |
| Real estate | | 10,393,505 |
| General business | | 82,925,496 |
| Total | | $468,752,035 |

The two items, stocks and bonds, accounting for 227.8 million dollars or almost half the total, represent foreign investments in American corporations. In addition to this, there were foreign enterprises, most of them relatively small corporations, controlled by German nationals. Since these entire enterprises, and not merely a portion of their securities, were taken over by the Alien Property Custodian, their assets, and not their issued and outstanding securities, are shown in the summary statement above. It seems likely that the appraisal value placed on such enterprises was below their value as going concerns, and that the figures for general businesses and for real estate may be taken as minimum estimates.

A detailed list of the securities included in the figures

[22] *Report* for 1919, p. 203. As in the preceding table, the item of $34,193,690 for "enemy vessels" is omitted. The partial breakdown shown for the cash item is from pp. 175, 218-20, 226.

above is given in the *Report*[23] with a summary table showing classification by types of securities. A rearrangement of the table is given below.

SECURITIES HELD BY THE ALIEN PROPERTY CUSTODIAN, FEBRUARY 15, 1919[a]
(Figures are in millions of dollars)

| Securities | Par | | | Market | | |
|---|---|---|---|---|---|---|
| | Stocks | Bonds | Total | Stocks | Bonds | Total |
| Government.. ........ .. | — | 12.5 | 12.5 | — | 12.1 | 12.1 |
| Railroad..... ..... . . | 47.6 | 26.0 | 73.6 | 20.2 | 19.3 | 39.5 |
| Industrial...... ........ | 89.5 | 11.2 | 100.7 | 96.0 | 9.7 | 105.7 |
| Public utilities.......... .. . . | 5.1 | 7.3 | 12.4 | 2.8 | 5.5 | 8.3 |
| Banks and trust companies. | 2.7 | — | 2.7 | 4.7 | — | 4.7 |
| Mining................ ..... | 4.4 | — | 4.4 | 4.2 | — | 4.2 |
| Securities of unknown or undetermined market value... | 40.3 | 1.8 | 42.1 | ... | ... | ... |
| Total..... ........... | 189.6 | 58.8 | 248.4 | ... | ... | ... |

[a] *Report of the Alien Property Custodian*, 1919, p. 375. The discrepancy between the figures given here and in the summary table on p. 535 above is explained by the liquidation of some securities. The same, p. 19.

Data from this table furnish some basis for an estimate of Germany's investments in the United States before the War. On page 534 above, where the property taken over by the Alien Property Custodian is classified by nationality of owner, German ownership, including Americans in Germany and Austria, accounts for 83 per cent of the total. Assuming that this ratio may be applied to the whole 662 million dollars of property handled by the Custodian, and also to each class of property shown on page 535 above, the German portion of the securities taken over had a liquidation value of about 275 million dollars. This, with some 300 to 500 million dollars of American securities[24] sold by Germany earlier in the War, indicates pre-war security holdings of from 575 to 775 million dollars. The German portion of other prop-

[23] 1919, pp. 290-374.
[24] Further details regarding these figures are given on p. 123 above.

erties handled by the Custodian, on the same basis, also amounted to about 275 million dollars, bringing the German total, at liquidation values, to some 850 to 1,050 million dollars. With account taken of the fact that these assets were sold under the hammer and therefore probably undervalued, the German total of pre-war investments in the United States may be put at not less than 950 millions.

For Austria, Bulgaria, and Turkey the pre-war total was probably around 175 million dollars or more, including securities liquidated before enemy holdings were sequestrated.

On the basis of data tabulated on pages 535-36, and with allowance made for probable early liquidations of rails, a rough classification of Germany's pre-war total may be made as follows:

| | Millions of Dollars | |
|---|---|---|
| Securities: | | |
| Government | 25 | |
| Railroad | 300 | |
| Utility | 25 | |
| Industrial and other | 300 | 650 |
| German-controlled enterprises operating in the United States | | 300 |
| Total | | 950 |

A considerable part of these investments were accumulated during the period 1899-1908 when Germany's international accounts showed a surplus available for investment abroad.[25]

## D. Report of the American Dollar Securities Committee

The *Report of the American Dollar Securities Committee*, covering the period July 1915 to March 31,

[25] Harold G. Moulton and Constantine E. McGuire, *Germany's Capacity to Pay* (1923), pp. 280-81, 26-35, 269-77; the *Statist*, June 2, 1917, p. 1098.

1919, includes only such British-owned securities as were turned over to the British Treasury under the government's plan for stabilizing the pound sterling during the World War. The text of the *Report* carries brief summaries of the figures, while a statistical appendix lists the securities handled, showing for each issue the amount sold or loaned to the Treasury. This list of securities is subject to various groupings to make the data comparable with those from other sources.

All American Securities in the Dollar Committee's List

By Borrower and Type of Security

(The total columns show the value of all American securities deposited, whether loaned or sold to the Treasury. All figures are in millions of dollars)

| Borrowers | Dollar Bonds | | Sterling Bonds | | Stock | | All Securities | |
|---|---|---|---|---|---|---|---|---|
| | Sold | Total | Sold | Total | Sold | Total | Sold | Total |
| All governmental units ....... | 8.1 | 9.1 | — | — | — | — | 8.1 | 9.1 |
| Railways.. ... ... | 509.0 | 629.0 | 74.4 | 91.4 | 183.1 | 302.7 | 766.5 | 1,023 1 |
| Utilities............ | 50.0 | 83.7 | 28.5 | 30.1 | 9.2 | 21.3 | 87.7 | 135.1 |
| Industrials and others | 72.2 | 88.4 | 6.6 | 7.4 | 41.9 | 84.2 | 120.7 | 180.0 |
| Total.......... | 639.3 | 810.2 | 109.5 | 128.9 | 234.2 | 408.2 | 983.0 | 1,347.3 |

American securities in the Dollar Committee's list aggregate 1,347 million dollars, distributed by classes of borrowers as follows: governments, 9 million dollars; railways, 1,023 millions; utilities, 135 millions; industrials and all others, 180 millions. The detailed classifications made for our purposes are presented in the table above and on pages 539-41 below.

The serious limitation of the reported figures is that they represent only a sample of Britain's war-time liquidations and pre-war holdings.[26] When the appoint-

[26] A. W. Kirkaldy, *British Finance during and after the War, 1914-21* (1921), p. 188, quoting the Chancellor of the Exchequer, gives a much larger total for dollar and other currency securities mobilized than is shown by the *Report* of the Dollar Committee. The large discrepancy in the figures seemed to us a clue concerning sales not included in the latter report. In reply to our inquiries, however, the Treasury explained that there were misprints in the official report of the Chancellor's state-

ment of the Committee was announced December 31, 1915, the government's plan for mobilizing foreign bonds and shares had been in operation about six months —under the temporary control of the Bank of England —and securities purchased during this half year are included in the *Report*. During the preceding twelve months of large-scale liquidations, however, the govern-

All American Securities in the Dollar Committee's List
By Place and Time of Offering
(The figures, showing the value of all American securities deposited, whether sold or loaned to the Treasury, are in millions of dollars)

| Classification | Dollar Bonds | Dollar Shares | Sterling Bonds | Total |
|---|---|---|---|---|
| Publicly offered, or listed abroad, 1897–1914 | 358.6 | 194.1 | 115.8 | 668.5 |
| Issued and listed in the United States only, 1897–1914 | 151.9 | 69.3 | — | 221.2 |
| Issued before 1897 | 278.0 | 139.8 | 12.2 | 430.0 |
| Not identified by issue date | 21.7 | 5.0 | 0.9 | 27.6 |
| Total | 810.2 | 408.2 | 128.9 | 1,347.3 |

ment had taken no part in the sales and kept no record of them. Thus the securities liquidated July 1, 1914-July 1, 1915 are not shown in the *Report*.

Moreover, the plan was not originally projected to include all of Britain's foreign bonds and shares. Until in January 1916 securities were not even accepted by the Treasury unless offered in blocks of at least $5,000 of each particular issue. Thus for more than six months, owners of smaller amounts were barred from direct participation in the plan. Even large holders were not coerced into putting their property at the disposal of the government until restrictions were placed on the sale of foreign securities in January 1917, and deposit of certain issues was made obligatory in February 1917. By this

ment. The symbol £ was erroneously used for the $ sign in the case of figures headed "Dollar Securities," and figures for "other currencies" were also in error.

ALL SECURITIES IN THE DOLLAR COMMITTEE'S LIST
By Domicile of Debtor and Type of Security
(The total columns show the value of all securities deposited, whether sold or loaned to the Treasury. All figures are in millions of dollars[a])

| Domicile of Debtor | Dollars Bonds | | Dollar Shares | | Sterling Bonds | | Registered Stock (Sterling) | | Other Currency Issues | | All Securities | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sold | Total | Sold | Total | Sold | Total | Sold | Total | Sold | Total | Sold | Total |
| Argentina........ | — | — | — | — | 25.7 | 149.2 | — | 240.0 | — | — | 25.7 | 389.2 |
| Brazil........... | — | — | — | — | — | 3.0 | — | — | — | — | — | 3.0 |
| Canada......... | 28.3 | 39.8 | 6.4 | 133.5 | 3.0 | 87.4 | 20.6 | 640.0 | — | — | 58.3 | 900.7 |
| Chile..... ..... | — | 0.6 | — | — | — | 102.5 | — | — | — | — | — | 103.1 |
| China........... | — | — | — | — | 0.3 | 0.8 | — | — | — | — | 0.3 | 0.8 |
| Cuba............ | 11.8 | 24.6 | 0.7 | 3.0 | 0.3 | 0.3 | — | — | — | — | 12.8 | 27.9 |
| Denmark[b]....... | — | — | — | — | — | 18.4 | — | — | — | 2.2 | — | 20.6 |
| Dominican Republic | 0.2 | 0.2 | — | — | — | — | — | — | — | — | 0.2 | 0.2 |
| Egypt........... | — | — | — | — | — | 66.2 | — | — | — | — | — | 66.2 |
| Japan........... | — | — | — | — | 0.2 | 122.8 | — | — | — | — | 0.2 | 122.8 |
| Netherlands[c]..... | — | — | — | — | — | — | — | — | — | 3.9 | — | 3.9 |
| Norway......... | — | — | — | — | — | 13.7 | — | — | — | — | — | 13.7 |
| Philippine Islands. | 0.4 | 2.5 | — | — | — | — | — | — | — | — | 0.4 | 2.5 |
| Sweden........ | — | — | — | — | — | 11.3 | — | — | — | — | — | 11.3 |
| Switzerland[d].... | — | — | — | — | — | — | — | — | — | 1.7 | — | 1.7 |
| Uruguay......... | — | — | — | — | — | 10.6 | — | — | — | — | — | 10.6 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| All foreign—except United States | 40.7 | 67.7 | 7.1 | 136.5 | 29.5 | 586.2 | 20.6 | 880.0 | — | 7.8 | 97.9 | 1,678.2 |
| United States | 639.3 | 810.2 | 234.2 | 408.2 | 109.5 | 128.9 | — | — | — | — | 983.0 | 1,347.3 |
| All foreign | 680.0 | 877.9 | 241.3 | 544.7 | 139.0 | 715.1 | 20.6 | 880.0 | — | 7.8 | 1,080.9 | 3,025.5 |
| British home railways—debenture stock | — | — | — | — | — | — | — | 87.5 | — | — | — | 87.5 |
| Total | 680.0 | 877.9 | 241.3 | 544.7 | 139.0 | 715.1 | 20.6 | 967.5 | — | 7.8 | 1,080.9 | 3,113.0 |

[a] Conversions at the following rates: £1 = \$5 (the rate used in the *Report*); 5 francs = \$1; 1 krone = 26.8¢; 1 florin = 40.2¢.
[b] Pound and krone bonds. [c] Florin bonds and shares. [d] Franc bonds.

American Railway Securities in the Dollar Committee's List
By Place and Time of Offering
(The total columns show the value of all securities deposited, whether loaned or sold to the Treasury. All figures are in thousands of dollars.)

| Type of Security | Offered or Listed Abroad, 1897–1914 | | Issued and Listed in United States Only, 1897–1914 | | Issued before 1897 | | All Issues | |
|---|---|---|---|---|---|---|---|---|
| | Sold | Total | Sold | Total | Sold | Total | Sold | Total |
| Dollar bonds | 231,314 | 290,789 | 87,476 | 113,030 | 190,231 | 225,223 | 509,021 | 629,042 |
| Sterling bonds | 64,899 | 79,214 | — | — | 9,477 | 12,195 | 74,376 | 91,409 |
| Preferred stock | 38,307 | 74,201 | 30 | 30 | 26,395 | 32,389 | 64,732 | 106,620 |
| Common stock | 66,386 | 104,782 | 58 | 93 | 51,890 | 91,155 | 118,334 | 196,030 |
| Total | 400,906 | 548,986 | 87,564 | 113,153 | 277,993 | 360,962 | 766,463 | 1,023,101 |

time, of course, many of Britain's foreign securities had been disposed of in other ways.

Finally, it would seem that the Dollar Committee had knowledge of some transactions not listed in the *Report.* The financial manuals and journals report a number of large sales made during the operation of the plan—some of them made at the Treasury's request—but not shown in the Dollar Committee's list. The six items cited below account for well over 120 million dollars of sales not included in the list, most of them made after the government's plan was put in operation.

In 1916 the Alabama, New Orleans, Texas and Pacific Junction Railways Co., Ltd., a British corporation, was requested by the Treasury to accept an offer of 2.4 million pounds sterling for certain bonds of the New Orleans and North Eastern Railroad Co. and for a small amount of Southwest Construction Co. common stock. J. P. Morgan made the purchase for the Southern Railway Co., which took over the securities in January 1917. Only 110 thousand dollars of these securities appear in the Dollar Committee's *Report.* About 8 million dollars of other American securities held throughout the War by the corporation (whose name was changed later to the Sterling Trust) are not shown in the Committee's *Report.*[27]

Atchison, Topeka and Santa Fe (California-Arizona Line) first-mortgage bonds maturing in 1962 to a total of 8.0 million dollars (or 1,601 thousand pounds sterling) were exchanged for dollar bonds before the close of 1918. Presumably these were bought up in London, where they were originally issued in 1912, though some may have come from Paris. The Committee lists only 337 thousand dollars of these (none listed in sterling) of which 237 thousand were sold.[28]

Oregon and Washington Railroad & Navigation 4 per cent bonds due 1961 were bought up by the company to a total of

[27] The *Statist,* Nov. 11, 1916, p. 1087; the *Chronicle,* Nov. 11, 1916, p. 1792; Feb. 10, 1917, p. 559; Mar. 3, 1917, p. 805; *Poor's Railroad Manual,* 1920, p. 1309.

[28] The *Chronicle,* Mar. 9, 1912, p. 696; *Poor's Railroad Manual,* 1919, p. 50.

30.5 million dollars, while the Committee reported only 14.0 million dollars sold and 3.0 millions held on deposit.[29]

Pennsylvania Railroad sterling 4 per cent bonds due in 1948 were bought up in 1915-17 in London, by Kuhn, Loeb, and were stamped and re-issued as dollar bonds to a total of 14.6 million dollars, and there were still outstanding in sterling, on the Continent or in London, 5.3 million dollars additional. The Committee reported 7.5 million dollars handled, of which 5.8 millions were sold.[30]

In 1915, International Mercantile Marine Co. bonds to a total of $11,446,000 were deposited with the bondholders' protective committee in London. An additional $17,000,000 were held in Amsterdam. On reorganization of the company in 1916, bondholders received new 6 per cent bonds having about half the face value of their former holdings. The report of the Dollar Committee includes only $698,000 of the old bonds and $183,770 of the new.[31]

British holdings of U. S. Steel common were reduced by 63.6 million dollars (par value) from March 1914 to December 1918, while the Dollar Committee reported 8.8 millions sold. The reduction in preferred amounted to 16.0 millions; while the Committee shows 9.5 millions sold. Probably 20 millions of the common and some 1 or 2 millions of the preferred were sold before the government undertook the mobilization of securities.[32]

The chart on page 545 furnishes further evidence of the incompleteness of the *Report* as a basis for estimating Britain's investments in the United States—either at the beginning of the War, or at as late a date as the middle of 1915 when the government began mobilizing foreign securities. Loree's figures showing average monthly liquidations of American railway securities by all foreign

[29] *Poor's Railroad Manuals.* The figures given here have been converted from sterling at five dollars to the pound.

[30] The *Chronicle*, Dec. 18, 1915, p. 2072; Jan. 27, 1917, p. 306; the *Chronicle* (Investor's Supplement), November 1923, pp. 97, 100. Conversion from sterling has been made at five dollars to the pound.

[31] *Moody's Industrials*, 1915, p. 2738.

[32] The *Chronicle*, Jan. 15, 1921, p. 215.

holders, without any adjustment for omissions pointed out by him, are compared with similar data concerning liquidations by the Dollar Securities Committee. The distribution of the latter data is based on the final report of the National Debt Office of Great Britain (September 30, 1922), with regard to the work of the Dollar Securities Committee.[33]

This report shows, by fiscal years, the sales of dollar and sterling securities to the British Treasury, and the Treasury's resales in New York. For the purposes of the chart, figures showing resales of sterling securities have been converted to dollars (at par of exchange) and total resales calculated in dollars. These totals are given in the final column of the table.

FOREIGN SECURITIES TRANSACTIONS OF THE BRITISH TREASURY
(Par values, in thousands)

| Years Ending March 31 | Sales to the Treasury | | Sales by the Treasury | | |
|---|---|---|---|---|---|
| | Dollar Securities | Sterling Securities | Dollar Securities | Sterling Securities | Total[a] |
| 1916...... | $400,022 | £11,271 | $271,399 | £ 2,826 | $285,152 |
| 1917...... | 421,285 | 17,841 | 488,493 | 9,802 | 536,194 |
| 1918...... | 90,670 | 2,530 | 124,875 | 1,383 | 131,605 |
| 1919...... | 9,300 | 270 | 67,181 | 1,093 | 72,500 |
| 1920...... | 3,297 | 5 | 10,883 | 330 | 12,489 |
| 1921...... | 20,002 | 9 | 12,351 | 21 | 12,453 |
| 1922...... | 31,422 | 2 | 299 | — | 299 |
| Total... | $975,998 | £31,928 | $975,481 | £15,455 | $1,050,692 |

[a] Conversion from sterling has been made at the rate of $\$4.86\frac{2}{3}=£1$. This column of computed figures is not given in the report.

According to our analysis of the Dollar Committee's Report, 766.5 million dollars of the 1,076.6 million dollars of dollar and sterling securities sold to the Treasury before March 31, 1919 were issued by American railways. American rails thus accounted for 71.2 per cent of such sales. It is assumed that in the annual resales

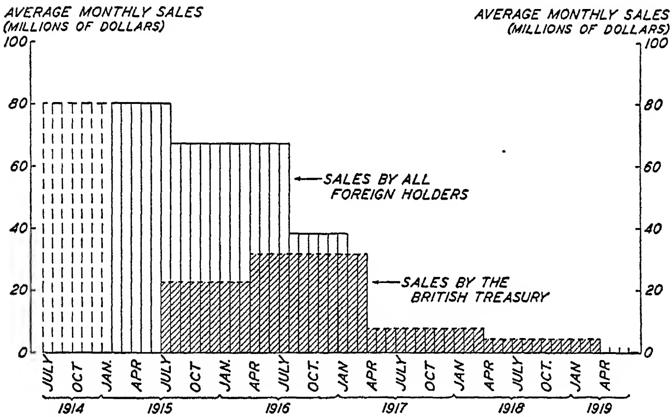
[33] Reprinted in 74 Cong. 2 sess., *Munitions Industry*, Hearings on S. res. 206 before Senate Special Committee Investigating the Munitions Industry (1937), Part 35, p. 11812.

by the Treasury, rails accounted for this same proportion of the total.

The chart shows that since resales by the Treasury did not get under way until July 1915, the *Report* covering them excludes the peak of the selling movement. During the first nine months of the plan resales were compara-

AMERICAN RAILWAY SECURITIES SOLD BY THE BRITISH TREASURY AND BY ALL FOREIGNERS

Sales Reported by the Dollar Committee, Compared with Loree's Unadjusted Data, in Par Values[a]




[a] Average monthly sales indicated for July 1914-January 1915 are at the rate shown by Loree's data for February 1-August 1, 1915.

tively low; reached their high point during the the following fiscal year when other selling was relatively low; and dropped sharply after America's entry into the War, when the Treasury of the United States discouraged further large-scale selling in New York by the allied governments. Pressure on British holders of foreign securities was thus lifted just a month after penalties were imposed on those not offering certain of their holdings to the government, leaving a considerable remnant that was never taken over by the Committee.

## E. Estimates for 1914 and 1919

An analysis of the reports discussed above, with supplementary data from other sources, provides estimates of the amounts foreigners had invested in the United States on July 1, 1914 and in December 1919. Stated in *par* values, the figure for 1914 is 7 billion dollars in securities and direct investments, plus 450 millions or

FOREIGN INVESTMENTS IN THE UNITED STATES, 1914 AND 1919
(Par values, in millions of dollars)

| Creditor Countries | July 1, 1914 | | | | Dec. 31, 1919 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Rails | Other American Securities | Foreign-Controlled Enterprises | Total | Rails | Other American Securities | Foreign Controlled Enterprises |
| Great Britain | 4,250 | 2,800 | 850 | 600 | 1,595 | 770 | 325 | 500 |
| Germany | 950 | 300 | 350 | 300 | 550 | ...[a] | .[a] | ..[a] |
| Netherlands | 635 | 300 | 200 | 135 | 410 | 150 | 100 | 160 |
| France | 410 | 290 | 75 | 45 | 130 | 75 | 35 | 20 |
| Canada | 275 | 130[b] | 95 | 50 | 315 | 150[b] | 95 | 70 |
| Austria-Hungary, Turkey, and Bulgaria | 150 | 70 | 50 | 30 | 112 | ...[a] | ..[a] | ..[a] |
| All others | 420 | 280[c] | 90 | 50 | 250 | 140[c] | 60 | 50 |
| Total (at par) | 7,090 | 4,170 | 1,710 | 1,210 | 3,362[a] | 1,285 | 615 | 800 |
| *Total, with common stock at the market* | *6,750* | *3,933* | *1,607* | *1,210* | *3,185* | *1,178* | *545* | *800* |

[a] The total includes cash and other sequestrated property of enemy aliens, not distributed by types of investment By June 30, 1934, the amount thus repaid to the original owners was 596 3 million dollars; the property still held by the Alien Property Custodian was valued at 65 8 millions

[b] These figures include securities held by three Canadian railways for control of various American roads, an investment that, according to data from *Poor's Manuals*, amounted to 82 million dollars in 1914, and 99 millions in 1919. These "direct" investments in American railways should be added to the data given for "foreign-controlled enterprises" to show the aggregate value of foreign control in American enterprises.

[c] This includes a road belonging to Mexico—valued at 3.2 million dollars in 1914 and at 2.5 millions in 1919.

more in short-term credits or floating loans. For 1919 the comparable figures are about 3.4 billions (including 662 million dollars of sequestrated property of enemy aliens), plus 800 millions. With the common stock item on a market value basis and all others at par, aggregate foreign holdings, long and short combined, for July 1914 and December 1919 are respectively 7.2 billions and 4.0 billions.[34]

[34]Given in these terms the figures are comparable with data compiled by the Dept. of Commerce for later years.

The estimates on a par value basis, with floating debts excluded, are given in greater detail on page 546. The methods employed are summarized in the paragraphs that follow.

The 1914 rails total in the table is Loree's figure for January 31, 1915, plus omission estimates, as given on page 533 above. For 1919 it is—

| | | Millions |
|---|---|---|
| Loree's figure for foreign holdings on Jan. 31, 1917 | $1,186 | |
| Plus omission estimate, assuming a somewhat lower rate of liquidation for defaulted bonds than for other securities | 405 | |
| | | $1,591 |
| Less liquidations, Jan. 31, 1917-Dec. 31, 1919: | | |
| By the British, as indicated on page 545 above | $ 205 | |
| All others, estimated at ½ the British | 103 | 308 |
| | | $1,283 |

Totals given for "other American securities" and for "foreign-controlled enterprises" were obtained by adding the separate estimates for the countries included.

*British investments.* There is no way of determining exactly Britain's pre-war investment in American rails. The amount given above is slightly below Paish's estimate for 1908 and almost 200 millions below his 1913 estimate, but it is about 2.7 times the figure shown by our analysis of the *Report of the American Dollar Securities Committee*. It is based in part on this Committee's data as charted on page 545 above. It may be slightly too low or too high, but the margin of error cannot be great since the figure is consistent with the total for rails and with reasonable estimates for other countries. For 1919 the investment in rails is estimated at three times the amount held by the Dollar Securities Committee on March 31, 1919, when sales by the Treasury were practically discontinued. Britain's pre-war investments in other American securities are included at 30 per cent of the rails

figure—or approximately the ratio shown by the *Report* of the Dollar Committee. For 1919 these investments, like the rails, are estimated at three times the amount held by the Committee on March 31, 1919. The estimate for British-controlled enterprises is based largely on data given in Appendix C and Chapter VI.

*German investments.* The data given in the table are explained on pages 533-37 above.

*Dutch investments.* For this figure little direct evidence is available. The *Economist*[35] put Dutch holdings of American securities in 1913 at about 1 billion florins, or roughly 400 million dollars, but stressed the highly tentative character of the estimate. Paish's estimate for 1908 was 750 million dollars. It is known that 110 American railway bonds and 60 stocks were quoted on the Amsterdam exchange in 1914; and all other American issues on the exchange numbered 76. In 1908, at the time Paish was making his estimates of America's foreign obligations, there were 96 railway bonds, 49 railway stocks, and 34 other issues[36] quoted on the Amsterdam exchange. Defaults and foreclosure proceedings disclosed large Dutch holdings in a number of American railway securities in the early War years. Dutch holdings of U. S. Steel Corporation stock at the end of March 1914 totalled 38.6 million dollars: 2.9 millions preferred and 35.7 millions common. On December 31, 1919, the amount still held was 14.8 millions, of which 12.5 millions were common stock.[37] Their largest direct investment was their interest in the investments made here by the Royal Dutch-Shell group. In view of the history of Dutch investments in the United States, and

[35] The (London) *Economist,* Mar. 15, 1913, p. 638.
[36] The *Chronicle,* Apr. 1, 1916, p. 1207.
[37] The same, Jan. 15, 1921, p. 215.

the increase in listings between 1908 and 1914, it is likely that the figure used above is conservative.

*French investments.* The figures for France may be too low. They are based on data given in Appendix C and Chapter VI, and on information concerning large blocks of securities, particularly rails, sold by France during the War, or known to have been held there as late as 1914, with some additional evidence provided by lists of the securities used as collateral for loans or included in the mobilization plan of the French government. Principal details are given below,[38] with a summary statement, in millions, of the amounts involved.

| Items | Abroad June 1914 | Liquidations | Abroad December 1919 |
|---|---|---|---|
| On May 8, 1915, the French Minister of Finance, M. Ribot, stated in the Chamber of Deputies that French-owned securities had been sold in the United States to a total of about[39] . . . . . . . . . . . . . . . . . . . . | $41.4 | $41.4 | – |
| (The early date of this item indicates that it does not include any of the other items listed below.) | | | |
| During the summer of 1915, $30,000,000 of the Chicago, Milwaukee and St. Paul franc loan of May 1910 (of which 250 million francs had been sold in Paris) were deposited with J. P. Morgan as collateral for a loan made by American bankers to the Rothschilds of Paris. In 1916, the railway issued a dollar loan (at 96) to replace this loan, and by December 1919 the reported amounts were[40] | 48.2 | 35.1 | $13.1 |
| During the latter part of 1915, some 140 to 150 million francs, or about 28 to 30 million dollars, of the Pennsylvania Company's 250 million franc loan of June 1906 were | | | |

[38] Data given here on railway liquidations and holdings are in part from *Poor's Railroad Manuals.*

[39] The *Chronicle,* Jan. 15, 1916, p. 212.

[40] The same, 1916: Jan. 22, p. 344; Jan. 29, p. 409. The French still had a large interest in these bonds when they fell due in 1925.

| | | | |
|---|---|---|---|
| bought up by the company and the proceeds also used by the French in meeting payment due on the loan to the Rothschilds of Paris. Total purchases to the end of 1919 were reported[41] . . . . . . . . . . . . . . . | 48.2 | 37.8 | 10.4 |
| In December 1915 Kuhn, Loeb and Company arranged to buy in Paris (for the Southern Pacific) the 250 million franc, 4 per cent, issue of the Central Pacific dated March 1911[42] . . . . . . . . . . . . . | 48.2 | 24.7 | 23.5 |
| Of the New York, New Haven and Hartford 145 million franc ($27,985,000) loan issued in 1907, liquidations began in 1916 | 28.0 | 14.5 | 13.5 |
| Total rails shown above . . . . . . . | $214.0 | $153.5 | $ 60 5 |

| | March 1914 | Liquidations | December 1919 |
|---|---|---|---|
| French holdings of U. S. Steel showed the following changes: | | | |
| Common stock . . . . . . . . . . . . | $6.8 | $3.9 | $2.9 |
| Preferred stock . . | 3.6 | 1.2 | 2.4 |
| In September 1915, French bankers sold 100 thousand shares of Utah Copper Co. stock (average price in September $66) par $10 | 1.0 | 1.0 | – |
| Total . . . . . . . . . . . . . . . . . . . . . . . . | $11.4 | $6.1 | $5.3 |

| | Abroad June 1914 | Abroad 1917 or Later |
|---|---|---|
| Foreclosure proceedings during 1914 revealed French ownership in two issues of St. Louis and San Francisco Railroad bonds. In the reorganization of 1917 new bonds were given in exchange for those in default. | | |
| (1) General lien 5 per cent gold bonds dated May 1, 1907 sold in France to a total of | $23.0 | |
| were exchanged for—prior lien 4's . | | $5.8 |
| adjustment 6's . . . . | | 6.5 |
| income 6's . . . . . . . . | | 11.5 |
| | $23.0 | $23.8 |

[41] The same, 1916: Jan. 15, p. 215; Jan. 22, p. 311.
[42] The same, 1916: Jan. 29, p. 409; Sept. 30, p. 1222.

| | | |
|---|---|---|
| (2) New Orleans, Texas and Mexico Division 4½ per cent bonds dated March 1, 1910, of which the French took . . . . . . . . . . . | $5.0 | |
| were exchanged par for par for New Orleans, Texas and Mexico Railway first-mortgage gold 6's, Series A . . . . . . . . . . . . . . . | | $5.0 |
| | Abroad June 1914 | Abroad 1919 |
| In 1910 Morgan Harjes & Co. of Paris, France sold a 4 per cent loan for the Cleveland, Cincinnati and St. Louis, and at the end of 1919 the whole issue was still listed on the Paris Bourse, the amount involved being 50 million francs or . . . . . . . . | $9.7 | $9.7 |

During the last four months of 1914, $80,243,941 of New York City obligations matured in Paris and London and were promptly paid.[43]

In addition to the blocks of securities identified above, the French had considerable holdings in many issues that were used as collateral for loans in the United States. Among these were:[44]

Shares:
- American Can, pfd.
- American Smelting and Refining: pfd., pfd. A
- American Telephone and Telegraph, French bearer certificates
- Associated Dry Goods Corp. 1st and 2d pfd.
- Baldwin Locomotive, pfd.
- Butte & Superior Mining Co. Ltd.
- Butte & Superior Mining Co.
- J. I. Case Threshing Machine Co. pfd.
- Chino Copper Co., French bearer certificates
- General Electric
- International Harvester Co., of N.J. pfd.
- International Harvester Corp., pfd.
- Miami Copper Co.
- Ray Consolidated Copper
- U. S. Rubber, pfd.
- U. S. Smelting, Refining and Mining, pfd.
- Virginia Carolina Chemical Co., pfd.

Bonds:
- American Telephone & Telegraph, 2 issues
- Armour & Co., real estate
- City of New York, 7 issues
- General Electric, 2 issues
- Indiana Steel
- Pacific Telephone & Telegraph, 2 issues
- U. S. Steel, 2 issues

[43] The same, Dec. 12, 1914, p. 1701.
[44] The same, Apr. 14, 1917, p. 1439.

The government's mobilization plan as set forth in the *Official Journal*, May 5 and 24, 1916, called for the securities listed above and for a long list of American rail issues, giving added evidence of the predominance of rails in the total.

*Canadian investments*. The figures given are based in part on the railway data given in Appendix C, in part on data for 1919 given in an unpublished semi-official document. For June 30, 1914, Canadian bank holdings of foreign railway securities were estimated at almost 46 million dollars,[45] of which the greater part was assumed to be American; and other American securities were included at the 1919 figure, on the assumption that there had been no appreciable change in such investments during the War years.

*Austria-Hungary, Turkey, and Bulgaria*. Data given in the table are explained on pages 534-37.

*All others*. The rails figure given in the table is a residual, and probably a minimum, figure. The figure for foreign-controlled enterprises includes two sizeable Belgian investments and one Swiss. For other American securities there is little basis for estimate except the fact that this group included Switzerland, Belgium, and other countries known to have held American securities in appreciable amounts.

*Commercial and other floating debt*. The unfunded short-term debt for 1914 is set down at the figure generally quoted. For example, the *Statist*, May 1, 1915, page 204, puts the amount due in the autumn of 1914 at 450 million dollars. Paish's figure for 1908 is 400 millions. The greater part of the 1919 estimate is explained in detail on pages 126-29 above. Page 129 also gives a

[45] Following H.M.P. Eckardt, quoted by Jacob Viner, *Canada's Balance of International Indebtedness, 1900-1913* (1924), p. 90.

rough indication of the geographic distribution of this debt—between European and other creditors.

*Balance of payments check.* A rough check on these estimates is provided by the balance of payments statements below, which cover the 16½ years, 1898-July 1, 1914, and the 5½ years, July 1, 1914-December 31, 1919.

Balance sheets presented in Chapter XXI show that during the first of these periods there was a 3,805 million dollar increase in liabilities, and a 2,829 million dollar increase in investments. In the account given below, the net receipts from these credits are balanced against the deficit from international trade and service transactions.

BALANCE OF PAYMENTS OF THE UNITED STATES,
JANUARY 1, 1898-JUNE 30, 1914

I. INCOME ACCOUNT

| | | Millions of Dollars | |
|---|---|---|---|
| Income from— | | | |
| Net exports of commodities | | 7,673 | |
| Less net imports of gold and silver | | 60 | 7,613 |
| Outgo for— | | | |
| Interest: | | | |
| Payments | 4,162 | | |
| Receipts | 1,942 | 2,220 | |
| Tourist expenditures | | 3,020 | |
| Immigrant remittances | | 2,390 | |
| Shipping | | 571 | |
| Insurance, and miscellaneous | | 508 | 8,709 |
| Net deficit | | | 1,096 |

II. CREDIT OPERATIONS

| | | | |
|---|---|---|---|
| New obligations incurred amounted to 3,805 yielding (at an average price of 90) receipts of about | | | 3,424 |
| New investments in— | | | |
| American-controlled enterprises abroad | | 2,017 | |
| Foreign security issues | 812 | | |
| Less discount of 10 per cent | 81 | 731 | 2,748 |
| Net receipts | | | 676 |

That direct investments represented a smaller national outlay than their book value is indicated by case material given in various chapters in Part II above. It will be seen that if a deduction of 420 million dollars is made from the figure for "new investments in American-controlled enterprises abroad," the whole account is brought into balance. Such an amount would seem to be a reasonable allowance for re-investments of funds earned abroad, for the value of foreign concessions and subsidies to American companies, for the appreciation in the value of foreign assets, and for "water" in the original capitalization of companies operating abroad during this period.

During the five and a half war years, the increase in foreign assets amounted to 3.4 billion dollars; loans made to the allies by the United States government amounted to 10 billions; loans payable by the United States government, 391 millions; and decreases in the foreign liabilities of Americans amounted to about 3.2 billions. The funds provided to foreigners through these credit operations served to offset the large trade deficit. A balance of payments for the war period is given below.

BALANCE OF PAYMENTS OF THE UNITED STATES,
JULY 1, 1914-DECEMBER 31, 1919

I. INCOME ACCOUNT

| Income from— | Millions of Dollars | | |
|---|---|---|---|
| Trade in commodities and silver: | | | |
| Recorded exports | 31,135 | | |
| Exports of army supplies, not recorded, but later sold abroad | 740* | 31,875 | |
| Imports | | 15,159 | |
| Net exports | | 16,716 | |
| Interest and dividends: | | | |
| Receipts | 2,927 | | |
| Payments | 1,082 | 1,845* | |
| Commissions on goods bought for the allies, by Morgan and others | | 45* | 18,606 |

* See p. 556 below.

| | | | | Millions of Dollars |
|---|---|---|---|---|
| Total income (brought forward) | | | | 18,606 |
| Outgo for— | | | | |
| Gold: | | | | |
| Imports | | 1,860 | | |
| Exports | | 1,107 | 753 | |
| Shipping | | | 362 | |
| Immigrant remittances | | | 1,200 | |
| Foreign purchases of the U. S. government | | | 1,444 | |
| Tourists expenditures | | | 50 | |
| Net costs of the American Army of Occupation | | | 213 | 4,022 |
| Net income | | | | 14,584 |

II. CREDIT OPERATIONS

| | | | | |
|---|---|---|---|---|
| Increase in assets: | | | | |
| Direct investments | | 1,228 | | |
| Securities | | 1,714 | | |
| Short-term credits | | 500 | | |
| British and French treasury bills (sold in the New York market)[a] | | 100 | 3,542 | |
| Less discounts on securities bought | | | 180 | 3,362 |
| Decrease in liabilities: | | | | |
| Direct investments | 410 | | | |
| Securities repatriated | 3,817 | 4,227 | | |
| Less— | | | | |
| New short-term credits payable | 350 | | | |
| Sequestrated properties | 662 | | | |
| Difference between par and selling price of bonds and preferred stock | 604 | 1,616 | | 2,611 |
| Total outgo, all private operations | | | | 5,973 |
| Intergovernment loans: | | | | |
| Payable to the U. S. government | | | 9,982 | |
| Payable by the U. S. government | | | 391 | 9,591 |
| Total outgo on credit account | | | | 15,564 |

[a] This temporary asset is not included in the total on pages 450 and 605.

Most of the items included in the income account are from the *Review of Economic Statistics*.[46] The three exceptions are marked with asterisks: army supplies sold in Europe, the interest and dividend items, and purchasing commissions. Since army supplies are not included in the trade figures, a correction entry is made here to take account of such supplies sold to foreigners. Interest and dividend computations are given below. The last item is self-explanatory.[47] Two small items included in the *Review* are excluded here: purchases of rupee exchange to pay for imports from Great Britain—which appears to be an ordinary exchange transaction—and Red Cross remittances, which went out principally in the form of goods not recorded in the trade figures.

In computing interest income, the amount of dollar and foreign currency securities held each year was determined from data given in Appendix E, pages 652-53. The annual average rate applied for the short-term loans was 5.3 per cent; for the long-term loans and pre-war portfolio, 5 per cent. On these classes of assets, interest returns amounted to 654 million dollars. Two and a half years' interest on British treasury bills, calculated at 6 per cent on half the maximum for these bills, amounted to 9 million dollars. Five years' interest on the demand loan calculated at 5 per cent amounted to about 80 million dollars. Some allowance should be made for interest on commercial credits arranged through the banks or granted directly by American industry. Aside from the demand loan, these probably did not average more than 400 to 500 million dollars, on which the total amount of interest received may have amounted to as much as 125 million dollars during the whole period. On loans made by the United States government interest amounted to 959 million dollars—calculated at 3¾ per cent for the

[46] Vol. III (1921), pp. 181-207.

[47] The amount paid to J. P. Morgan & Co. was reported in the *Munitions* Hearings, Part 29, p. 9228.

first nine months and at 5 per cent for other years. Dividends on direct investments, calculated at 6 per cent on the average amount held during the period, amounted to 1.1 billion dollars. The rate of return may well have been higher than this, for the period was one of extraordinarily large earnings.

With outgo from credit operations checked against income from commodity and service transactions, a discrepancy of 1 billion dollars is shown. All of the estimates included in the account are rough. Even commodity and specie trade data are considerably less accurate than usual, for all shipments made for the account of the United States government were sent out without recording at the customshouses, and it is probable that in the rush of work many shipments to the allies also escaped recording. The figures for direct investments, since they are in terms of book values, considerably overstate the cost of such investments. That is, they overstate the amount of new capital exported during the period. The surplus accounts of some of the companies, and the large stock dividends paid by many, show that there was a large plowing back of earnings during the war years, and, of course, other factors were operating, as usual, to increase the value of the investments in excess of their cost. The increase in short-term credits is also overstated, since we have included no estimates for short-term credits in 1914, although it goes without saying that some were outstanding at that time. Other items in the account are also estimates and not precise values. A balance of all of the items might easily be forced if relatively small adjustments were made in a number of cases.

## VI. FOREIGN HOLDINGS, 1924-36

On page 558 below, detailed estimates of foreign holdings in the United States are given for specified years from 1914 through 1936. The estimates for 1914 and 1919 have been given in Section V of this appendix and

FOREIGN LONG-TERM INVESTMENTS IN THE UNITED STATES, 1914–36
(In millions of dollars)

| December 31 (Except as indicated) | Railways | | | | | | Other Foreign Holdings | | | | | | All Foreign Holdings (Common stock at market) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | | Preferred Stock (Par) | Bonds (Par) | Direct | Total (With common at market) | Common Stock (Market) | Preferred Stock (Par) | Bonds (Par) | Miscellaneous Portfolio | Direct (Excluding rails) | Total | |
| | Par | Market | | | | | | | | | | | |
| 1914 (June 30) | 937 | 700 | 368 | 2,765 | 100[a] | 3,933 | ... | ... | ... | ... | 1,210 | 2,817 | 6,750 |
| 1914........ | 860 | 611 | 302 | 2,389 | 100[a] | 3,402 | ... | ... | ... | ... | 1,200 | 2,608 | 6,010 |
| 1919........ | 275 | 168 | 64 | 847 | 99[b] | 1,178 | ... | ... | ... | .. | 800 | 1,345 | 2,523[c] |
| 1924........ | 275 | 255 | 68 | 580 | 125[b] | 1,028 | 500 | 140 | 140 | 250 | 850 | 1,830 | 2,858[c] |
| 1929........ | 250 | 335 | 74 | 405 | 200 | 1,059 | 1,985 | 540 | 170 | 750 | 1,200 | 4,645 | 5,704[c] |
| 1933........ | 305 | 120 | 74 | 317 | 245 | 756 | 808 | 250 | 246 | 750 | 1,273 | 3,327 | 4,083 |
| 1934........ | 350 | 110 | 80 | 254 | 245 | 689 | 1,092 | 271 | 282 | 750 | 1,273 | 3,668 | 4,357 |
| 1935........ | 424 | 161 | 89 | 255 | 245 | 750 | 1,679 | 301 | 294 | 750 | 1,335 | 4,359 | 5,109 |
| 1936........ | ... | 250 | 104 | ... | ... | ... | 2,450 | 351 | .. | ... | 1,395 | ... | 6,108 |

[a] This includes only the Canadians and one British-controlled road.
[b] Canadian only; other direct are included with securities. The British road included in 1914 was repatriated in 1917.
[c] To the figures given above should be added the sequestrated property held by the Alien Property Custodian, as follows: 1919, 662 million dollars; 1924, 277 millions; 1929, 150 millions.

are repeated here with the railway figures broken down by classes of investment. From 1934 forward the data are from a recent study published by the Department of Commerce,[48] and for 1929 and 1933 they are based mainly on that study. For 1924 the estimated foreign holdings of railway common and preferred stocks are also from the same source; for other common and preferred stocks they are based on a small sample of data compiled for that study. A rough indication of the direct investment total is furnished by the net worth of American branches and affiliates of foreign insurance companies in 1924 as compared with other years,[49] while the direct investment by Canadian railways is shown by the financial manuals. For bonds we found no basis for a 1924 estimate except the trends shown by data for other years; and the item miscellaneous portfolio—explained in *Foreign Investments in the United States*, page 13—is included in 1924 at a figure that appears to make the total portfolio investment other than rails consistent with the comparable totals for 1919 and 1929. This item may be too low, but probably is not too high, for the year 1924.

### VII. FOREIGN OBLIGATIONS AND NATIONAL WEALTH, 1790-1936

In Chapter VIII a chart is presented comparing the growth of America's foreign obligations and national wealth. Data for the chart are tabulated on the following page.

[48] *Foreign Investments in the United States* (1937).

[49] U. S. Dept. of Commerce, *Insurance Transactions in the Balance of International Payments of the United States, 1919-35* (1936), p. 7.

THE GROWTH OF AMERICA'S FOREIGN OBLIGATIONS AND NATIONAL WEALTH
(In millions of dollars)

| Year | Foreign Obligations[a] | | | National Wealth[b] |
|---|---|---|---|---|
| | Securities and Direct Invest-ments | Unfunded Commercial and Bank-ing Debt | Total | |
| 1790 | ... | ... | ... | 750 |
| 1803 | 52 | 23 | 75 | ... |
| 1840 | ... | ... | ... | 3,764 |
| 1843 | 197 | 28 | 225 | ... |
| 1850 | ... | ... | ... | 7,136[c] |
| 1853 | 225 | 155 | 380 | ... |
| 1860 | ... | ... | ... | 16,160[c] |
| 1869 | 1,390 | 150 | 1,540 | ... |
| 1870 | ... | ... | ... | 30,069 |
| 1880 | ... | ... | ... | 43,642 |
| 1890 | ... | ... | ... | 65,037 |
| 1899 | 3,145 | 250 | 3,395 | ... |
| 1900 | ... | ... | ... | 88,517 |
| 1904 | ... | ... | ... | 107,104 |
| 1908 | 6,000 | 400 | 6,400 | ... |
| 1912 | ... | ... | ... | 186,300 |
| 1914 (July 1) | 6,750 | 450 | 7,200 | ... |
| 1919 | 3,185[d] | 800 | 3,985[d] | ... |
| 1922 | ... | ... | ... | 320,804 |
| 1924 | 3,135 | 909 | 4,044 | ... |
| 1929 | 5,854 | 3,077 | 8,931 | 460,100 |
| 1933 | 4,083 | 487 | 4,570 | ... |
| 1934 | 4,357 | 614 | 4,971 | ... |
| 1935 | 5,109 | 1,220 | 6,329 | ... |
| 1936 | 6,108 | 1,492 | 7,600 | 300,000 |

[a] These estimates, except the one for 1803, are explained in earlier pages of this appendix. The 1803 estimate is explained on p. 152. From 1914 forward they include common stocks at market value and all other obligations at par. With the exception of 1914, they may all be taken as end-of-year data.

[b] National wealth figures, with four exceptions, are the official figures reported by the United States Census Bureau. For 1790, the estimate was made by George Walker of Massachusetts and published in *Fenn on the Funds*, 1867, p. 477. That for 1840, from the same publication, p. 478, is cited as an "official" figure. The 1929 figure is the estimate compiled by Walter R. Ingalls, the *Annalist*, Oct. 23, 1931, pp. 667–68, 702; and for 1936, from The Twentieth Century Fund, *The National Debt and Government Credit* (1937), p. 97.

[c] With slaves omitted, the national wealth in 1850 was estimated at 6,174 million dollars and in 1860 at 14,183 millions. *Report of the Special Commissioner of Revenue* (David A. Wells), 1869, pp. xi–xii.

[d] Including sequestrated property of enemy aliens amounting to 662 million dollars in 1919; 277 millions in 1924; and 150 millions in 1929.

# APPENDIX C

## THE "DIRECT" INVESTMENTS OF FOREIGNERS

This appendix presents supporting data for Chapter V and Appendix B concerning foreign-controlled enterprises. No German and Austrian companies are included, the reports of the Alien Property Custodian giving fairly comprehensive information in those cases. The principal sources for the lists given here have been the *London Stock Exchange Official Intelligence* and *Poor's* and *Moody's Manual*, although the *Statist* and the (London) *Economist* and the *Commercial and Financial Chronicle* have also been consulted with considerable profit.

The table below, showing foreign companies operating in the United States in 1914 and 1919, includes only those in which foreign ownership could be definitely identified and for which the amount of foreign capital involved could be given in numerical terms.

## Foreign Companies in the United States, 1914 and 1919[a]

(Figures, in thousands, are for December 31, 1914 and 1919 or nearest balance sheet dates)

### I. Land Companies

| Registration Date and Company | 1914 Capital Stock | 1914 Funded Debt | 1919 Capital Stock | 1919 Funded Debt | Notes |
|---|---|---|---|---|---|
| 1879: | | | | | |
| Platte Land | £ 34.0 | — | — | — | Liquidated, 1919 |
| Missouri Land . .. . | 15.9 | — | £ 11.9 | — | |
| 1882: | | | | | |
| Alabama Coal, Iron, Land & Colonization | 36.9 | — | 36.9 | — | |
| North American Land & Timber ........ | 90.4 | — | 90.4 | — | |
| 1884: | | | | | |
| Mount Carbon........ | 73.8 | £ 29.4 | — | — | Last mentioned, 1918 |
| 1885: | | | | | |
| Capitol Freehold Land & Investment.. . | 1,350.8 | — | — | — | Liquidated, 1918–19 |
| 1889: | | | | | |
| Trust & Mortgage of Iowa........ | 175.0 | 379.1 | 175 0 | £ 373.9 | |
| 1890: | | | | | |
| Riverside Orange . . | 471.8 | 49.8 | — | — | Liquidated, 1915 |
| 1892: | | | | | |
| Rugby, Tennessee .... | 128.4 | — | — | — | Last mentioned, 1916 |
| 1894: | | | | | |
| San Jacinto Land . .. | 34.3 | 21.7 | 34 3 | 21.7 | |
| 1900: | | | | | |
| United Railway & Trading.............. | 390.8 | 725 0 | — | — | Last mentioned, 1916 |
| 1905: | | | | | |
| New York City Freehold Estates............ | 613.5 | 40.0 | 375.0 | 228 0 | |
| 1907: | | | | | |
| United States Lumber & Cotton... ... . .. | $ 3,457.9 | — | $ 3,482.9 | — | |
| 1911: | | | | | |
| San Antonio Land . .. | 8,000 0 | 1,200.0 | — | — | Still in receivership |
| —: | | | | | |
| New York water-front* | — | — | 2,000.0 | — | Bought by French government during World War; sold to Americans in 1930 for $2,000,000 |
| Total.. .. ..... .. | $28,535 9 | $12,225 0 | $ 9,100.4 | $ 3,118.0 | |

[a] In the totals, items in foreign currencies have been converted to dollars at £1 = $5; 5-francs = $1.

* Ownership of companies marked with an asterisk is indicated in the Notes column; other companies are British owned.

Foreign Companies in the United States, 1914 and 1919—*Continued*

## II. Mortgage and Finance Companies

| Registration Date and Company | 1914 Capital Stock | 1914 Funded Debt | 1919 Capital Stock | 1919 Funded Debt | Notes |
|---|---|---|---|---|---|
| 1874: | | | | | |
| Scottish American Mortgage . .... .. ..... | £ 1,275.2 | £ 637 5 | £ 1,275.2 | £ 451.0 | |
| 1879: | | | | | |
| American Freehold-Land Mortgage. ... ... . | 358.0 | 902.6 | 358.0 | 828.7 | |
| 1882: | | | | | |
| Texas Land & Mortgage | 165.0 | 569.3 | 165.0 | 529.3 | |
| 1883· | | | | | |
| Oregon Mortgage . | 325.0 | 325.0 | 325 0 | 223.1 | |
| 1886· | | | | | |
| Pacific Loan & Investment . . . . | 187.5 | 539.5 | 187.5 | 406.9 | |
| Land Mortgage Bank of Texas .. .... | 827.9 | 400.0 | 827.9 | 400.0 | |
| 1897: | | | | | |
| Mortgage & Debenture | 320.0 | 485.0 | 320.0 | 485.0 | |
| 1910: | | | | | |
| Investment Company for Electrical Enterprises* | . | | ... | ... | A Swiss corporation |
| 1919: | | | | | |
| French American Banking Corporation*.. . | — | — | $ 1,250.0 | — | Half held by French, half by Americans |
| Total . ..... | $17,293 0 | $19,294.5 | $18,543.0 | $16,620.0 | |

## III. Cattle Companies

| Registration Date and Company | 1914 Capital Stock | 1914 Funded Debt | 1919 Capital Stock | 1919 Funded Debt | Notes |
|---|---|---|---|---|---|
| 1880: | | | | | |
| Prairie Cattle... .. . | ... | £ 70.0 | — | — | Last mentioned, 1915 |
| 1882: | | | | | |
| California Pastoral & Agricultural.... . . | £ 165.0 | 98.8 | — | — | Last mentioned, 1914 |
| Matador Land & Cattle | 200.0 | 164.9 | £ 200.0 | £ 154.6 | |
| 1883: | | | | | |
| Swan Land & Cattle . . | 250.0 | — | 150.0 | 24.8 | |
| 1884: | | | | | |
| American Pastoral...... | 49.7 | — | — | — | Last mentioned, 1916 |
| Total......... .. | $ 3,323.5 | $ 1,668.5 | $ 1,750.0 | $ 897.0 | |

* Ownership of companies marked with an asterisk is indicated in the Notes column, other companies are British owned.

FOREIGN COMPANIES IN THE UNITED STATES, 1914 AND 1919—*Continued*

IV. Mining Companies

| Registration Date and Company | 1914 Capital Stock | 1914 Funded Debt | 1919 Capital Stock | 1919 Funded Debt | Notes |
|---|---|---|---|---|---|
| 1884: | | | | | |
| Arizona Copper Co. Ltd. | £ 1,736.5 | £ 400.0 | £ 1,736.5 | — | Acquired by Phelps Dodge Corporation in 1921 |
| 1891: | | | | | |
| Ducktown Sulphur, Copper & Iron . . . . . | 200.0 | 120.0 | 200.0 | £ 74.8 | |
| 1895: | | | | | |
| Alaska United . . . . | $ 575.0 | — | $ 575.0 | — | |
| 1896: | | | | | |
| Mountain Copper. . . . . . | — | 750.0 | — | 625.0 | |
| 1899: | | | | | |
| Arizona Consolidated Copper Mines, Ltd. . . | £ 135.0 | — | £ 135.0 | — | Liquidated, 1922 |
| Borax Consolidated . | 460.0 | 1,064.0 | 460.0 | 1,064.0 | |
| Stratton's Independence. | 125.0 | — | — | — | Last mentioned, 1917 |
| Tom Boy Gold Mines | 310.0 | — | 310.0 | — | |
| 1900: | | | | | |
| Camp Bird. . . . . . | $ 574.8 | — | — | — | |
| 1901: | | | | | |
| De Lamar Company | £ 80.0 | — | — | — | Last mentioned, 1916 |
| 1903: | | | | | |
| Minerals Separation, Ltd. | 50.0 | — | — | — | American rights bought by American company in 1916 |
| 1904: | | | | | |
| Viloro Syndicate . . . | 66.0 | — | — | — | Last mentioned, 1917 |
| 1905: | | | | | |
| Oroville Dredging . . | $ 3,432.6 | — | — | — | Liquidated, 1919–20 |
| 1906: | | | | | |
| Silverfields . . . . . . | £ 149.1 | — | — | — | Last mentioned, 1915 |
| 1909: | | | | | |
| Mary Murphy. . . . . . . | $ 1,790.5 | $ 231.0 | $ 1,790.5 | $ 169.0 | |
| 1910: | | | | | |
| Frontenac Consolidated Mines . | £ 278 0 | £ 28 5 | — | — | Liquidated, 1916 |
| Sterling Coal Co., Ltd.* | $ 2,130.0 | $ 1,560.0 | 2,130.0 | 1,430.0 | Canadian |
| 1912: | | | | | |
| Southern Aluminum* . | 5,500.0 | — | — | — | Bought by Americans in 1915, from the French |
| 1913: | | | | | |
| St. John Mines . . . | £ 75.0 | — | £ 75.0 | — | |
| 1914: | | | | | |
| Plymouth Consolidated Gold Mines . . . . | 240.0 | — | 240.0 | — | |
| Natomas Company of California . . . . . . | $ 9,249.5 | 9,049.1 | $ 9,249.5 | 10,592.4 | |
| Wah Chang Mining & Smelting Co., Ltd.*. . . | — | — | 2,000.0 | — | Chinese |
| —: | | | | | |
| Crescent Mining Co., Ltd.*. . . . . . . . . . . . . . | 1,000.0 | — | 1,708.0 | — | Canadian |
| Total. . . . . . . . . . . . . | $43,775.4 | $22,652.6 | $33,235.5 | $21,010.4 | |

* Ownership of companies marked with an asterisk is indicated in the Notes column; other companies are British owned.

FOREIGN COMPANIES IN THE UNITED STATES, 1914 AND 1919—*Continued*

### V. Oil Companies

| Registration Date and Company | 1914 Capital Stock | 1914 Funded Debt | 1919 Capital Stock | 1919 Funded Debt | Notes |
|---|---|---|---|---|---|
| 1907: | | | | | |
| Pacific Oilfields . . . . | £ 250.0 | — | £ 250.0 | — | |
| 1910: | | | | | |
| Kern River Oilfields of California . . . . . | 497.2 | — | 597 2 | — | |
| Oklahoma Oil . . . | 102.0 | — | — | — | Last mentioned, 1918 |
| Premier Petroleum . . | $ 3,000.0 | — | — | — | Last mentioned, 1917 |
| 1911: | | | | | |
| Santa Maria Oilfields | £ 1,160.0 | — | 287.0 | — | Reorganized, 1919 |
| Union des Petroles d'Oklahoma* . . . . . . . . . . | fr.40,000.0 | — | — | — | Control bought from French in 1918 |
| 1912: | | | | | |
| Kansas, Oklahoma Oil & Refining . . . . . . . | £ 377.5 | — | 377.5 | — | |
| Shell of California* . . . . . | $17,716.0 | — | $33,534.7 | — | Dutch and British |
| 1914: | | | | | |
| Freemont Oil . . . . . . . | £ 43.0 | — | — | — | Last mentioned, 1918 |
| 1917: | | | | | |
| Roxana Petroleum* . . | — | — | 5,000.0 | — | Dutch and British |
| Total . . . . | $40,864.5 | — | $46,093.2 | — | |

* Ownership of companies marked with an asterisk is indicated in the Notes column; other companies are British owned.

### VI. Breweries

| Registration Date and Company | 1914 Capital Stock | 1914 Funded Debt | 1919 Capital Stock | 1919 Funded Debt | Notes |
|---|---|---|---|---|---|
| 1888: | | | | | |
| New York Breweries . | £ 380.0 | £ 349.7 | £ 380.0 | £ 296.0 | |
| 1889: | | | | | |
| Bartholomay Brewing | 743.5 | 463.0 | 743.5 | 463.0 | |
| Chicago Breweries . . . | 400.0 | 216.6 | 400 0 | 165.8 | |
| Cincinnati Breweries . . | 68.7 | 152.2 | 68.7 | 152.2 | |
| Goebel Brewing . . . . . | 103.7 | — | — | — | Liquidated, 1919 |
| Indianapolis Breweries. | 270.0 | 160.0 | 270.0 | 197.8 | |
| Jones (Frank) Brewing . | 600.0 | 517.5 | — | — | In receivership, 1919 |
| St. Louis Breweries | 1,800.0 | 450.0 | 1,800.0 | 337.6 | |
| Washington. . . . . . . . . . | 127.6 | 26.0 | — | — | Liquidated, 1915 |
| 1890: | | | | | |
| City of Chicago Brewing & Malting . . . . . . . | 1,250.0 | — | 1,250.0 | — | |
| Milwaukee & Chicago Breweries . . . . . . | 852.5 | 82.2 | 852.5 | 82.2 | |
| New England Breweries | 410.0 | 174 1 | 410.0 | 194.0 | |
| San Francisco Breweries. | 171.0 | 553.2 | 171.0 | 592.3 | |
| Springfield Breweries. | 100 0 | 15.0 | 100 0 | 15.0 | |
| 1892: | | | | | |
| Cook (F.W.) Brewing. . . | 130.0 | 70.0 | 78.0 | — | |
| 1899: | | | | | |
| Denver United Breweries | 400.0 | 168.3 | 400.0 | 168.3 | |
| Total. . . . . . . . . . . . . . | $39,035.0 | $16,989.0 | $34,618.5 | $13,321.0 | |

FOREIGN COMPANIES IN THE UNITED STATES, 1914 AND 1919—*Continued*

VII. Other Industrials

| Registration Date and Company | 1914 | | 1919 | | Notes |
|---|---|---|---|---|---|
| | Capital Stock | Funded Debt | Capital Stock | Funded Debt | |
| 1881: | | | | | |
| Solvay Process* | $ 9,382.3 | — | $ 9,382.3 | — | Belgian[b] |
| 1887: | | | | | |
| Fownes Brothers & Company | 2,678.0 | — | 2,678.0 | — | |
| 1889: | | | | | |
| H. H. Warner & Company | £ 550.0 | £ 70.0 | £ 550.0 | £ 70.0 | |
| Otis Steel | $ 7,153.7 | — | — | — | Bought by Americans in 1919 for $13,000 |
| Pillsbury-Washburn Flour Mills | £ 946.1 | 1,454.5 | 946.1 | 1,353.2 | |
| 1895: | | | | | |
| Semet-Solvay* | $ 2,070.7 | — | $ 2,070.7 | — | Belgian[b] |
| 1898: | | | | | |
| American Thread | 5,400.0 | — | 5,400.0 | — | |
| 1899: | | | | | |
| Lever Brothers | 3,750.0 | — | 3,750.0 | — | |
| 1908: | | | | | |
| Dick (R. & J.) | £ 267.3 | — | £ 267.3 | — | |
| 1910: | | | | | |
| Massey-Harris Harvester Co., Ltd.* | $ 1,687.5 | — | $ 2,062.5 | — | Canadian |
| New York Taxicab Company* | 1,683 3 | $ 41.7 | 1,683.3 | $ 41.7 | French |
| 1911: | | | | | |
| American Sales Book Co., Ltd.* | 3,941.0 | — | 3,707.0 | — | Canadian |
| Olympic Portland Cement | £ 250.0 | £ 121.0 | £ 250.0 | £ 106.1 | |
| 1912: | | | | | |
| Monarch Knitting Co., Ltd.* | $ 500.0 | — | $ 500.0 | — | Canadian |
| 1913: | | | | | |
| Alabama Traction Light & Power, Ltd.* | 17,975.0 | $13,452.0 | 17,995.0 | $25,324.0 | Canadian |
| 1916: | | | | | |
| Riordan Co., Ltd.* | — | — | 240.0 | — | Canadian |
| Total | $66,288.5 | $21,721.2 | $59,535.8 | $33,012.2 | |

[b] Semet-Solvay of New York was organized in 1916 as an independent corporation, taking over most of the assets of Semet-Solvay of Pennsylvania, a subsidiary of Solvay Process Co. *Poor's Industrials* for 1923, p. 2118, states that in 1920 Solvay & Cie of Belgium held 93,823 common shares of Solvay Process Co., (par $100) and 20,707 common shares of Semet-Solvay Co. (par $100), for which they received 359,037 no par shares of the Allied Chemical & Dye Corp. (valued at time of issue at about $55 a share). According to information given by Williams Haynes [*Chemical Economics* (1933), p. 269] well over 106,000 additional shares of Allied Chemical & Dye were turned over to British and Belgian interests closely allied with the Belgian company.

* Ownership of companies marked with an asterisk is indicated in the Notes column; other companies are British owned.

FOREIGN COMPANIES IN THE UNITED STATES, 1914 AND 1919—*Continued*

VIII. Summary[c]

| Type | 1914 | | 1919 | | Total Capitalization Compared | | |
|---|---|---|---|---|---|---|---|
| | Capital Stock | Funded Debt | Capital Stock | Funded Debt | 1914 | 1919 | Net Change |
| Land .... | $ 28,535 9 | $12,225.0 | $ 9,100.4 | $ 3,118.0 | $ 40,760.9 | $ 12,218.4 | −$28,542.5 |
| Mortgage and finance ... | 17,293.0 | 19,294.5 | 18,543.0 | 16,620 0 | 36,587.5 | 35,163.0 | − 1,424 5 |
| Cattle ... | 3,323.5 | 1,668.5 | 1,750 0 | 897.0 | 4,992.0 | 2,647.0 | − 2,345.0 |
| Mining.. .. | 43,775.4 | 22,652 6 | 33,235.5 | 21,010.4 | 66,428 0 | 54,245.9 | − 12,182.1 |
| Oil ... .. | 40,864.5 | — | 46,093.2 | — | 40,864 5 | 46,093.2 | + 5,228.7 |
| Breweries . | 39,035.0 | 16,989.0 | 34,618.5 | 13,321.0 | 56,024 0 | 47,939.5 | − 8,084.5 |
| Other industrials .... | 66,288.5 | 21,721.2 | 59,535.8 | 33,012.2 | 88,009.7 | 92,548.0 | + 4,538.3 |
| Total... | $239,115.8 | $94,550.8 | $202,876.4 | $87,978.6 | $333,666.6 | $290,855.0 | −$42,811.6 |

[c] Canadian direct investments in American railroads, given below, have not been included in this summary.

A relatively large share of Canada's direct investments in the United States in 1914 and 1919 was represented

CONTROLLING INTERESTS IN AMERICAN ROADS HELD BY CANADIAN RAILWAYS, 1914 AND 1919

(Figures, compiled from *Poor's Manuals of Railroads*, are in millions)

| Canadian Railway and Controlled Roads | 1914 | | | | 1919 | | | |
|---|---|---|---|---|---|---|---|---|
| | Capital Stock | | Funded Debt | | Capital Stock | | Funded Debt | |
| Canadian Grand Trunk: | | | | | | | | |
| Atlantic & St. Lawrence. | $ 5.5 | | $ 3 0 | | $ 5.5 | | $ 3.0 | |
| Chicago, Detroit, & Canada Grand Trunk Junction... | 5 | | — | | .5 | | — | |
| Central Vermont ... | 2.2 | | — | | 2.2 | | — | |
| Detroit, Grand Haven & Milwaukee.. .. ..... | 1.5 | | — | | 1.5 | | 4.2 | |
| Grand Trunk Western.... . | 6.0 | | — | | 6.0 | | — | |
| Michigan Air Line ... | .3 | | 1.5 | | .3 | | 1.5 | |
| Pontiac, Oxford, & Northern. | 1.0 | | — | | 1.0 | | — | |
| Toledo, Saginaw & Muskegon | 1 6 | | — | | 1.6 | | 1.7 | |
| Southern New England Railroad Corporation.... ... | — | $18 6 | — | $4 5 | 6.6[a] | $25.2 | — | $10.4 |
| Canadian Northern: | | | | | | | | |
| Duluth, Rainy Lake....... | 2.0 | | — | | 2.0 | | — | |
| Duluth, Winnipeg........ | 3.1 | | — | | 3.1 | | — | |
| Minnesota & Manitoba.... | .4 | 5.5 | .2 | .2 | .4 | 5.5 | .6 | .6 |
| Canadian Pacific: | | | | | | | | |
| Duluth, South Shore...... | 11 2 | | 18.1 | | 11.2 | | 18.1 | |
| Aroostook River.......... | .8 | | — | | .8 | | — | |
| Minneapolis, St. Paul | 19.1 | | 4.0 | | 19.1 | | 4.0 | |
| Spokane International...... | — | 31.1 | — | 22.1 | 3.9 | 35.0 | — | 22.1 |
| Total......... .. ..... | | $55.2 | | $26.8 | | $65.7 | | $33.1 |

[a] Although but 1 9 million dollars of capital stock was outstanding and held by Canadian Grand Trunk, 6 6 millions had been spent by Dec. 31, 1920 in Massachusetts and Rhode Island.

by American railway securities held by Canadian railways for purposes of control.

In addition to land held by the foreign companies listed above there are large foreign holdings not reported in the manuals. A list of such properties was reported in the *Philadelphia Bulletin* for 1909. This list is given below accompanied by somewhat abbreviated comments from the article.

UNCLE SAM'S LAND OWNED BY ALIENS[1]

Millions of Acres in the United States the Property of Foreigners

To the Editor of "The Bulletin"

Sir:

. . . I give below as complete a list of foreign individuals and corporations who own land in the United States, with the amount of their holdings, as I have been able to gather with the means at my command:

| Name of Owner | Number of Acres |
|---|---|
| Holland Land Co. (in New Mexico) | 4,500,000 |
| The Texas Land Union (composed of the Baroness Burdett-Coutts, Earl Cadogan, Fitzroy Somerset, William Alexander, Lochiel Stephenson, Douglas Hamilton, U. J. Kay-Shuttleworth and Ethel Cadogan, maid in waiting to the Queen) | 3,000,000 |
| The Scully Estate (in Illinois, Missouri and Kansas) | 2,000,000 |
| Sir Edward Reid and Co. (in Florida) | 2,000,000 |
| German syndicate | 2,000,000 |
| Marquis of Tweedale | 1,750,000 |
| Marquis of Sutherland | 425,000 |
| Marquis of Aylesbury | 55,051 |
| Duke of Beaufort | 55,085 |
| Duke of Bedford | 87,507 |
| Earl of Brownlow | 67,799 |
| Earl of Carlisle | 68,540 |
| Earl of Cawdor | 51,538 |
| Earl of Derby | 56,698 |
| Earl of Lonsdale | 67,950 |
| Earl of Bowys | 46,095 |
| Earl of Yarborough | 55,370 |
| Duke of Cleveland | 106,650 |

[1] The *Philadelphia Bulletin*, Dec. 6, 1909, p. 11 of the "postscript" edition.

| | |
|---|---|
| Duke of Devonshire | 148,629 |
| Duke of Northumberland | 191,480 |
| Duke of Portland | 55,259 |
| Duke of Rutland | 70,039 |
| Lord Leconfield | 60,101 |
| Lord Londesborough | 52,655 |
| Lady Willoughby | 59,912 |
| Sir W. W. Winn | 91,032 |
| Lord Dunmore | 120,000 |
| Lord Houghton (in Florida) | 60,000 |
| Lord Dunraven (in Colorado) | 60,000 |
| Philips, Marshall & Co. of London | 1,300,000 |
| English Syndicate, No. 4 (in Mississippi) | 1,800,000 |
| British Land Co. (in Kansas) | 320,000 |
| Missouri Land Co. of Scotland (in Missouri) | 300,000 |
| Dundee Land Co. of Scotland | 247,000 |
| German Syndicate (in Mississippi) | 1,100,000 |
| Anglo-American Syndicate of London | 750,000 |
| English Syndicate No. 6 of London (in Wisconsin) | 110,000 |
| Scotch Syndicate (in Florida) | 500,000 |
| Byron N. Evans of London | 700,000 |
| W. Whaley, M.P. for Peterboro | 310,000 |
| Robert Tennant, of London | 530,000 |
| Benjamin Neugas, of Liverpool | 100,000 |
| Sir J. L. Kay of Yorkshire | 5,000 |
| A. Peel, M.P. for Leicestershire | 10,000 |
| Alexander Grant of London (in Kansas) | 35,000 |
| M. Ellerhausen (in West Virginia) | 600,000 |
| A. Boysen, Danish Consul at Milwaukee | 50,000 |
| Richard Syke and Mr. Hughes (in North Dakota) | 85,000 |
| C. M. Beach of London | 10,000 |
| Finlay Dun & Co. | 25,000 |
| Estate of Marquis Demores | 15,000 |
| Close Bros. of London | 270,000 |
| English Land Co. (in Arkansas and Florida) | 100,000 |
| T. F. French and W. C. Kelley (in Florida) | 70,000 |
| Total | 26,710,390[2] |

Here are fifty-four foreign corporations and individuals owning enough land in this country to make 166,940 farms of 160 acres each, or an amount greater by 5,385 square miles than is comprised in the state of Indiana; or 2,455 square miles more than there is in the states of New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New Jersey and Delaware, with their estimated population of 8,359,000.

It may safely be assumed that if a complete list of alien landowners

[2] The figures add to 26,704,390. The error may be ascribed to the items, rather than the total since newspapers read proof on totals only.

could be obtained, it would largely increase the number given above, and swell the aggregate of the holdings by many millions of acres.

It should be remembered that in no case do the holdings shown above include the thousands of farms taken in by foreign loan companies on foreclosure proceedings in the United States courts, which would probably aggregate as many acres as the above large holdings. It was stated a few years ago by a reliable newspaper in Kansas that 2,700 farms in northern Kansas had passed into the hands of foreign loan companies during a period of eighteen months under foreclosure of mortgage.

Nor have I taken into consideration the enormous land values in mines, railroad stocks, and the stocks and bonds of a vast number of private and public service corporations in the United States to pay dividends and interest on which require millions upon millions of dollars every year, which are sent abroad in the products of our farms, mines, and factories, to the impoverishment of our own people.

John W. Dix

The financial manuals indicate that many foreign-controlled companies were operating in the United States before the War, in addition to those already listed in this appendix. In some cases American subsidiaries, branch plants, and distributing organizations are given only casual mention. The reports of many small companies give no balance sheet or earnings data, and many such companies escape any mention in the manuals. Some 27 companies known to have operated in the United States under foreign control before the War are listed below, and this list, of course, is far from complete.

British-Controlled Companies

In 1909, Courtaulds had established an American subsidiary, the American Viscose Co., with $1,600,000 capital stock outstanding, which was reincorporated in 1915 as the Viscose Co. with all the $9,999,500 issued capital stock held by the parent company.

By 1899, the Dunlop Pneumatic Tire Co., Ltd. had established an American subsidiary, reincorporated in 1919 as the Dunlop Tire & Rubber Corporation of America, which by 1923 had fixed assets valued at $16,000,000.

Early in the War, the Glasgow & Western Exploration Co.,

Ltd. liquidated its properties. Approximately $5,000,000 had been expended in the development of its mines and smelters during the 15 years preceding the War.

Kelly's Directories, Ltd. had an American subsidiary dating back to 1890 with an original capital investment of $100,000.

The Linen Thread Co., Ltd., which was formed in 1898 primarily as an international holding company, by 1915 had acquired all outstanding capital stock of five concerns operating mainly in the United States.

Marconi's Wireless Telegraph Co., Ltd. was aggressively expanding its American business subsequent to 1914 through its American subsidiary, the Marconi Wireless Telegraph Co. of America.

Morrell & Co. is an English packing concern with two plants in Iowa antedating the War.

A one-third interest in the Williams Harvey Corporation was held by Williams Harvey & Co., Ltd.

The Railroad Lands Co., Ltd. and the Delta & Pine Land Co. are wholly owned subsidiaries of the Sterling Trust, Ltd. and the Fine Spinners & Doublers Association respectively.

In 1919, Rolls-Royce, Ltd. established an American subsidiary. The control was held by the parent company by ownership of all the no par common stock, while the capital was supplied by Americans through a $3,500,000 preferred stock issue late in the same year.

Other British companies known to have had American subsidiaries or to have operated directly in this country include the following:

The Bradford Dyers' Association
Claudius Ash, Sons & Co., Ltd.
Forestal Land, Timber & Railways Co., Ltd.
J. & P. Coats
Raphael Tuck & Sons, Ltd.
U. S. Trust Corporation

## Belgian-Controlled Companies

The Belgian-Bohemian Mining Co. and Jualin Alaska Mines were Belgian concerns which had shown good results, particularly the latter.

### Canadian-Controlled Companies

Castle Oil & Gas Co., Ltd., incorporated in 1918, had prospective oil lands in Louisiana, which were in process of development in 1919 and 1920.

Furness Withy & Co., Ltd. had coastwise investments in many of the American ports on the Atlantic seaboard.

Two Canadian companies—the Great Britain Group, operated by a Vancouver & Victoria syndicate, and Kings Quicksilver Mining Co., Ltd.—were worked intermittently in the decade ending with the War.

Other Canadian companies with American branches or subsidiaries include the following:

| | |
|---|---|
| Dominion Foundries & Steel, Ltd. | The Brompton Pulp & Paper Co., Ltd. |
| F. N. Burt Co., Ltd. | Canada Foundries & Forgings, Ltd. |

### French-Controlled Companies

Andre Michelin et Cie, the largest tire makers in Europe, had an American subsidiary.

A sketch of foreign direct investments in the United States would be incomplete without some indication of the ebb and flow of foreign capital thus represented. While an exhaustive exploration of this question is beyond the scope of this study, a list of British land, mortgage, and cattle companies is given below—admittedly incomplete—showing the appearance and disappearance of such companies during four pre-war decades. Had mining companies been listed, the number would have been many times greater, and the average length of life considerably shorter.

## Flow of Capital for British Land and Related Companies

(Compiled from *London Stock Exchange Official Intelligence*, 1886, 1896, and 1915. Capitalization data, in thousands of dollars, are from volume nearest registration date; converted at £1=$5.)

### I. Land Companies

| Registration Date and Company | Capitalization | | Last Mentioned |
|---|---|---|---|
| 1879: | | | |
| Missouri Land Co. of Scotland | 182 | | — |
| Platte Land | 730 | 912 | 1919 |
| 1880: | | | |
| Irish American Colonization | 152 | | 1911 |
| Scottish American Land | 225 | 377 | 1894 |
| 1881: | | | |
| Iowa Land | 1,605 | 1,605 | [a] |
| 1882: | | | |
| Alabama Coal, Iron, Land and Colonization | 2,380 | | — |
| North American Land & Timber | 862 | 3,242 | — |
| 1883: | | | |
| British Land & Mortgage | 4,948 | | 1904 |
| East Florida Land & Produce | 354 | | 1902 |
| Florida Land & Mortgage | 4,499 | 9,801 | 1900 |
| 1884: | | | |
| Clarendon Land Investment & Agency | 755 | | 1893 |
| Mount Carbon | 466 | 1,221 | 1918 |
| 1885: | | | |
| Capitol Freehold Land & Investment | 3,072 | | 1918 |
| South Minnesota Land | 742 | 3,814 | 1902 |
| 1888: | | | |
| Lands Trust | 2,426 | 2,426 | 1905 |
| 1889: | | | |
| Trust & Mortgage of Iowa | 1,490 | 1,490 | — |
| 1890: | | | |
| Cumberland Lands | 764 | | 1907 |
| Eastern Kentucky Land Exploration & Development | 610 | | 1901 |
| Harrogate Land | 682 | | 1903 |
| Jasper Town & Lands | 763 | | 1903 |
| Land & Trust of Florida | 1,050 | | 1907 |
| Riverside Orange | 611 | 4,480 | 1914 |
| 1892: | | | |
| Rugby, Tennessee | 642 | 642 | 1916 |
| 1894: | | | |
| San Jacinto Land | 430 | 430 | — |
| 1895: | | | |
| American Association, Inc. | 2,232 | 2,232 | 1909 |
| 1900: | | | |
| United Railway & Trading | 3,204 | 3,204 | 1916 |
| 1905: | | | |
| New York City Freehold Estates | 2,150 | 2,150 | — |
| 1907: | | | |
| U. S. Lumber & Cotton | 3,458 | 3,458 | — |
| 1911: | | | |
| San Antonio Land & Irrigation | 14,000 | 14,000 | — |

[a] Taken over by Trust & Mortgage of Iowa, 1889.

FLOW OF CAPITAL FOR BRITISH LAND AND RELATED COMPANIES—*Continued*

## II. Mortgage and Finance Companies

| Registration Date and Company | Capitalization | | Last Mentioned |
|---|---|---|---|
| 1874: | | | |
| Scottish American Mortgage | 6,000 | 6,000 | — |
| 1877: | | | |
| Colorado Mortgage & Investment | 558 | 558 | 1899 |
| 1879: | | | |
| American Freehold Land Mortgage of London | 5,934 | 5,934 | — |
| 1882: | | | |
| Texas Land & Mortgage | 362 | | — |
| Scottish Mortgage & Land Investment of New Mexico | 100 | | 1908 |
| Anglo-American Land Mortgage & Agency | 250 | | 1906 |
| Missouri Land & Livestock | 750 | 1,462 | 1910 |
| 1883: | | | |
| Oregon Mortgage | 2,053 | | — |
| Western Mortgage & Investment | 1,496 | 3,549 | 1908 |
| 1886: | | | |
| Pacific Loan & Investment | 2,972 | | — |
| English & Scottish American Mortgage & Investment | 1,503 | | 1906 |
| Land Mortgage Bank of Texas | 3,776 | 8,251 | — |
| 1887: | | | |
| Mortgage & Debenture | 3,650 | 3,650 | — |
| 1889: | | | |
| Land Mortgage Bank of Florida | 1,960 | 1,960 | 1898 |
| 1892: | | | |
| British American Investment | 664 | 664 | 1900 |

## III. Cattle Companies

| Registration Date and Company | Capitalization | | Last Mentioned |
|---|---|---|---|
| 1880: | | | |
| Prairie Cattle | 790 | 790 | 1915 |
| 1881: | | | |
| Texas Land & Cattle | 1,350 | 1,350 | 1909 |
| 1882: | | | |
| Arkansas Valley Land & Cattle | 625 | | 1890 |
| California Pastoral & Agricultural | 825 | | 1914 |
| Cattle Ranche & Land | 1,053 | | 1895 |
| Hansford Land & Cattle | 1,049 | | 1913 |
| Matador Land & Cattle | 2,500 | | — |
| Western Land & Cattle | 1,247 | 7,299 | 1894 |
| 1883: | | | |
| Nevada Land & Cattle | 750 | | 1898 |
| New U. S. Cattle Ranche | 214 | | 1898 |
| Swan Land & Cattle | 2,633 | | — |
| Western Ranches | 560 | 4,157 | 1911 |
| 1884: | | | |
| American Pastoral | 1,638 | | 1916 |
| Espuela Land & Cattle | 2,032 | 3,670 | 1909 |
| 1885: | | | |
| Cedar Valley Land & Cattle | 643 | 643 | 1909 |
| 1887: | | | |
| Rio Arriba Land & Cattle | 645 | 645 | 1900 |

## APPENDIX D

# ESTIMATES OF AMERICA'S DIRECT INVESTMENTS ABROAD

The statistical summary of the growth of American foreign investments given in Chapter XX includes both direct and portfolio investments. For direct investments, that is, for investments abroad in industries under American ownership and control, the estimates are based on data from many sources, already mentioned in Chapters IX to XV. The purpose of the present appendix is to show the growth of these investments in more detail than was possible in the text chapters. A recapitulation of the data for direct investments is given in the tables on pages 605-06. These tables also include American holdings of foreign securities, and thus show the aggregate amounts of American capital abroad for the years summarized. (The detailed figures with regard to security holdings are given in Appendix E below.) In the final section of this appendix a number of earlier estimates are given for reference and comparison. Portfolio data included in Chapters XVI to XIX are set forth at some length in Appendix E below.

### I. WHAT THE DATA REPRESENT

In compiling the data on direct investments, we have undertaken to follow the general method of evaluation and of geographic and industrial distribution adopted by the Finance Division of the Department of Commerce in its *Trade Information Bulletin No. 731*. Such a course was made necessary by the fact that this bulletin is the only available source of information concerning certain of the items in the account.

The values given in the text chapters and in the appendix tables below are all book values, in so far as they

could be determined, at the various dates listed in the tables.[1] Book value was taken to be the stockholders' equity, including surplus or deficit, plus the par value of obligations issued by the companies concerned and payable to Americans. The choice made here between book and market values was scarcely a free choice. However, had data for the two methods of valuing the items been equally available, we should have chosen to use book values, which more nearly reflect the real changes taking place in an industry, rather than market values which are subject to momentary fluctuations in response to temporary political and speculative situations of various kinds.

It goes without saying that satisfactory data concerning the book value of foreign subsidiaries, or large American holdings in foreign companies, are not available in many cases. Balance sheet data reported in the manuals are incomplete for many mining companies, though the *Mines Handbooks* help fill some of the gaps. The consolidated balance sheets of some oil companies and manufacturing concerns place a nominal value on investments in affiliated companies, foreign and domestic, a point on which statistical evidence is frequently supplied in connection with arrangements between the companies for joint exploitation of foreign concessions, or sales of foreign properties.[2] Moreover, depreciation and

[1] The data presented by the U. S. Dept. of Commerce in "America's Direct Investments in Foreign Countries," *Trade Information Bulletin No. 731* show book values for all except minority holdings, and for the latter, market values as of the end of December 1929. We have attempted to use book values for minority holdings, as well as controlling interests. This represents the only methodological change of any importance undertaken here.

[2] Information on this point was also obtained from the balance sheets of foreign subsidiaries where these were available. In connection with a new study for which the Department of Commerce is now sending out questionnaires, the companies are requested to furnish data from the balance sheets of their foreign subsidiaries rather than from their own books. This may, of course, bring other difficulties to light, but will

depletion policies vary widely from company to company within the various industries, so that a summation of particular items from the books of all the companies in an industry—even if the compiler had free access to the complete records—would represent a summation of data quite unlike in character. These difficulties are of a kind with those common to all statistical inquiries. They involve a certain margin of error that may be considerably increased if the data are put to uses other than those for which they were intended.[3] For the purposes in hand, however, the data are reasonably satisfactory. They give a rough indication of the growth in the aggregate investment made by Americans in foreign enterprises under their control, and furnish items to be included in a series of international balance sheets which give a rough measure of the changing relationship between America's international investments and debts.

In the distribution of the data by geographic areas, we have undertaken to allocate the total investment of particular concerns according to the actual location of the properties represented. For the earlier years covered, the figures become somewhat impressionistic, for data are not available for close estimates. The industrial classification was made in terms of the principal activities of the companies concerned.

## II. TRADING COMPANIES AND SALES AGENCIES[4]

In 1929, according to the Department of Commerce, the investment in trading companies and sales agencies, excluding those of the oil industry, represented about

afford a correction for some of those met in connection with the 1929 investigation.

[3] While two plus two is always four, the answer may or may not be satisfactory. For example, two sheep plus two sheep equals four sheep, a satisfactory answer for the purpose of livestock enumeration, but other information is wanted if the count is made for estimating wool production, mutton production, or the production of a crop of lambs.

[4] In the summary table on pp. 605-06 below, investments in purchasing

4 to 5 per cent of the direct investment total. The growth of this class of investments is roughly indicated by the table below.

SELLING ORGANIZATIONS ABROAD
(Estimated investments, in millions of dollars)

| Location | 1897 | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|---|
| Europe | 25 | 30 | 85 | 95 | 110 | 132.9 | .. |
| Canada and Newfoundland | 10 | 15 | 27 | 30 | 35 | 37.9 | ... |
| Cuba and other West Indies | 4 | 5 | 9 | 10 | 12 | 15.0 | ... |
| Mexico | 1.5 | 2 | 4 | 5 | 7 | 8.7 | .. |
| Central America | — | 0.5 | 0.5 | 1 | 1 | 1.2 | ... |
| South America | 10 | 16 | 20 | 55 | 75 | 94.3 | ... |
| Africa | — | 1 | 4 | 10 | 15 | 15.7 | ... |
| Asia | 6 | 12 | 15 | 25 | 30 | 34.3 | |
| Oceania | — | 2 | 5 | 12 | 16 | 22.0 | . |
| Total | 56.5 | 83.5 | 169.5 | 243 | 301 | 362.0 | 325 |

For the year 1929 the figures are from *Trade Information Bulletin No. 731*, which the Department of Commerce compiled from answers to questionnaires sent to American business concerns operating abroad. Estimates for earlier years are based on statements of the trading companies as given in the financial manuals, on general descriptive material concerning the development of foreign sales organizations, and on items included in a few studies of American investments in particular countries. There is no satisfactory basis for the 1935 estimate, but available information indicates some shrinkage—probably amounting to as much as 10 per cent.

### III. OIL DISTRIBUTION

Some basis for estimating the early investment in oil distribution abroad is furnished by the two-volume re-

agencies and banking abroad have been included at the following figures (in millions of dollars):

| | 1897 | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|---|
| Purchasing | 5.0 | 5.0 | 9.0 | 11.5 | 12.5 | 16.1 | 20.0 |
| Banking | 10.0 | 20.0 | 30.0 | 125.0 | 125.0 | 125.0 | 125.0 |

port on the petroleum industry made by the Commissioner of Corporations in 1907. Additional information is provided from various other sources.

OIL DISTRIBUTION ABROAD[a]
(Estimated investments, in millions of dollars)

| Location | 1897 | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|---|
| Europe | 55 | 95 | 130 | 150 | 180 | 219 | 231 |
| Cuba and other West Indies | 1 | 3 | 3 | 10 | 10 | 9.5 | 9 |
| South America | 3 | 10 | 20 | 30 | 50 | 68 | 77 |
| Africa | 1 | 2 | 5 | 10 | 20 | 31.5 | 31.5 |
| Asia | 14 | 36 | 40 | 50 | 60 | 78 | 79.5 |
| Oceania | 1 | 2 | 2 | 25 | 75 | 81 | 81 |
| Total | 75 | 148 | 200 | 275 | 395 | 487 | 509 |

[a] These data exclude investments in countries that we have classified under oil production, p. 588 below.

In his 1907 report the Commissioner of Corporations lists 16 foreign companies then in active operation under the control of Standard of New Jersey. The combined capitalization for 14 of these amounted to 32.8 million dollars, or with the Canadian and Rumanian companies omitted (since we have classed them with oil production) the capitalization for the remaining 12 marketing companies amounted to 26.4 million dollars.

A report furnished by officials of the company at hearings in the government's suit to dissolve the combination included five other subsidiaries operating in foreign countries, in which the company's investment was given as follows:[5]

| | |
|---|---|
| A. G. Atlantic | $120,000 |
| Empreza Industrial Petroleum | 153,000[6] |
| India Oil Refining | 186,000 |
| Raffinerie Francaise | 93,000 |
| West India Oil Co. | 163,000 |

A list submitted in the hearings early in 1909 included 28 additional foreign companies whose stock was

[5] The *Chronicle*, Sept. 28, 1907, p. 791.

[6] In 1909, Standard's interest in this company was valued at $350,000.

FOREIGN COMPANIES CONTROLLED BY STANDARD OF NEW JERSEY, 1907[a]

| Name | Capitalization | When Incorporated | Where Incorporated |
|---|---|---|---|
| Anglo-American Oil Co., Ltd. | $4,866,500 | 1888 | England |
| American Petroleum Co. | 3,155,700 | 1891 | Holland |
| Amerikanische Petroleum Anlagen | 47,600 | | Germany |
| Colonial Oil Co. | 250,000 | 1901 | New Jersey (selling in South Africa and Australia) |
| Deutsch-Amerikanische Petroleum Gesellschaft | 7,140,000 | 1890 | Germany |
| Danske Petroleums Aktielskab | ... | ... | Denmark |
| Königsberger-Handels Compagnie | 547,400 | 1872 | Germany |
| International Oil Co. | 5,976,000 | .. | Japan |
| Imperial Oil Co.[b] | (4,000,000) | (1880) | Canada |
| Mannheim-Bremer Aktien Gesellschaft | 714,000 | 1896 | Germany |
| Petroleum Raffinerie vormals August Korff in Bremen | 357,000 | 1887 | Germany |
| Stettin-Amerikanische Petroleum Import Gesellschaft | ... | .. | Germany (control acquired in the early nineties) |
| Societé Romano Americana | 2,412,500 | 1904 | Rumania |
| Société ci-devant H. Rieth & Cie | 318,450 | 1896 | Belgium |
| Societá Italo-Americana del Petrolio[b] | (965,000) | .. | Italy |
| Vacuum Oil Company Aktien Gesellschaft | 2,030,000 | ... | Austria-Hungary (majority of stock held by Standard since 1879) |

[a] Commissioner of Corporations, *Report on the Petroleum Industry* (1907), Pt. I, p. 87. In 1898 Standard Oil had a tank station and a plant for tinning oil at Shanghai. Carl F. Remer, *Foreign Investments in China* (1933), p. 251.

[b] Capitalization in 1907, from the *Commercial and Financial Chronicle*, Sept. 28, 1907, p. 791.

primarily owned by Standard subsidiaries. Vacuum's ownership in seven of these amounted to a little more than 4 million dollars, and holdings of other Standard subsidiaries in the remaining 26 aggregated less than a half million dollars. Other Standard-controlled companies operating abroad before the War were engaged

in the manufacture of products used in the industry. Among these were:[7]

Devoe Manufacturing Co. (tin cans)
Oswego Manufacturing Co. (wooden cases)
American Wick Manufacturing Co.

That the companies had foreign assets greatly in excess of their stated capitalization is apparent from the records.[8] Anglo-American, for example, capitalized at 4.87 million dollars, had assets valued at 13.8 million dollars in 1892, and at 17 millions in 1896.[9] What they were in 1907 is not given. *Moody's Manual* for 1909 states that Standard of New Jersey, with 98.3 million dollars of outstanding capital stock and no bonded debt, had an investment of more than 600 million dollars in the following marketing facilities alone:

| | Abroad | At Home |
|---|---|---|
| Tank cars | 2,000 | 10,000 |
| Steamers | 72 | 150 (including barges) |
| Tank stations | 5,000 | 3,000 |
| Storage tanks | 82,000,000 barrels capacity | |
| Trunk pipe lines | ( 8,000 miles) | |
| Feeder pipe lines | (75,000 miles) | |

Another account of the company's foreign assets includes 162 import stations, 4,000 foreign tank wagons, and 30 manufacturing plants.[10] Not included above, but important among the company's assets were the refineries owned by foreign subsidiaries: the Raffinerie Francaise; the Korff refinery in Germany; several Vacuum Oil re-

[7] John T. Flynn, *God's Gold* (1932), p. 363. The 1909 list of Standard subsidiaries is given in *Moody's Manual* for 1912, pp. 3602-04.

[8] In the 23 years 1899-1922 the parent company, Standard of New Jersey, followed a policy of re-investing in the business all earnings after the disbursement of dividends. During the 10 years 1912-21 it paid 220.1 million dollars in dividends, and plowed back 437.6 million dollars. The *Chronicle*, Oct. 14, 1922, p. 1740; Nov. 4, 1922, p. 2057.

[9] Commissioner of Corporations, *Report on the Petroleum Industry*, Pt. II, pp. 561, 565.

[10] Flynn, *God's Gold*, p. 362.

fineries, the most important of which were two in Austria-Hungary; Imperial Oil refineries in Canada; an International Oil refinery in Japan.[11]

These foreign marketing facilities were located in all parts of the world, not only in the countries where the foreign subsidiaries were incorporated, but also in other European countries, China, India, the Dutch East Indies, and in Africa. In Russia, Standard had facilities for handling oil purchases and exports, the company's exports from Russia in 1904 being equal to more than 10 per cent of all illuminating oil exports from the United States that year.[12]

Two other American oil companies had foreign marketing facilities in 1908: Thompson & Bedford, a branch of Standard of New York, had organizations in several European countries, with refineries in two French cities; Pure Oil had eight bulk tank storage stations abroad, six in Germany, and two in Holland, and a few years earlier had also had two in England.

For 1914 and later years it is impossible to arrive at anything better than a rough guess concerning the investment total and its distribution. Immediately after the war many American oil companies made their appearance in Europe. Standard of New Jersey organized a Czecho-Slovak company; Sinclair appeared in France, Great Britain, Holland, Belgium, and Germany. Some enterprises started at about this time were abandoned at considerable loss a year or so later; for example, a projected 132-mile Atlantic Gulf and Refining pipe line in France, the Sinclair and Standard ventures in Russia, and expenditures that Sinclair and others made in Cuba in 1917-20. In spite of these losses, however, the invest-

[11] Three Waters-Pierce refineries in Mexico, and the Romano Americana refinery in Rumania are included with oil production, p. 588 below.

[12] Commissioner of Corporations, *Report on the Petroleum Industry*, Pt. II, p. 426.

ment expanded rapidly and continued to expand even during the depression.

## IV. MINING AND SMELTING

For the larger mining and smelting companies operating abroad, available data are reasonably complete. This is particularly true with regard to the South American copper companies. For the smaller companies, the mining handbooks give a great deal of information concerning the amount and history of their investments, while supplementary material is found in monographs on mines and mining, and in early reports of American consuls abroad, already cited in Chapters XI-XIII.

MINING AND SMELTING ABROAD[a]
(Estimated investment in millions of dollars)

I. PRECIOUS METALS AND PRECIOUS STONES

| Location | 1897 | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|---|
| CANADA AND NEWFOUNDLAND | **30.0** | **50.0** | **56.5** | **66.5** | **66.5** | **78.0** | **86.0** |
| MEXICO | **50.0** | **119.0** | **140.0** | **100.0** | **112.0** | **116.0** | **105.0** |
| CENTRAL AMERICA | **2.0** | **8.6** | **10.2** | **13.5** | **7.0** | **7.0** | **7.0** |
| Costa Rica | — | 4.8 | 5.2 | 4.8 | — | — | — |
| Honduras | 2.0 | 2.0 | 2.8 | 3.1 | 4.0 | 4.0 | 4.0 |
| Nicaragua | — | 1.0 | 1.4 | 2.6 | 3.0 | 3.0 | 3.0 |
| Salvador | — | 0.8 | 0.8 | 3.0 | — | — | — |
| SOUTH AMERICA | **6.0** | **14.0** | **23.0** | **31.0** | **32.0** | **41.3** | **41.3** |
| Bolivia | — | — | 2.0 | 2.0 | 2 0 | 3.7 | 3.7 |
| Brazil | — | — | — | 1.0 | 1.0 | 1.0 | 1.0 |
| Colombia | 2.0 | 3 0 | 3.0 | 5.0 | 6.0 | 10.6 | 10.6 |
| Ecuador | 3.0 | 5.0 | 5.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Peru | 1.0 | 6.0 | 13.0 | 18.0 | 18.0 | 21.0 | 21.0 |
| Venezuela | — | — | — | 1.0 | 1.0 | 1.0 | 1.0 |
| AFRICA | **—** | **2.0** | **3.0** | **8.0** | **15.0** | **20.0** | **20.0** |
| TOTAL | **88.0** | **193.6** | **232.7** | **219.0** | **232.5** | **262.3** | **259.3** |

[a] These estimates include mine-railroads and other facilities built in connection with the industry.

MINING AND SMELTING ABROAD—*Continued*

II. THE INDUSTRIAL MINERALS, EXCLUDING OIL

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| EUROPE | — | 3.0 | 5.0 | — | 4.4 | 36.8 | 35.8 |
| CANADA AND NEWFOUNDLAND | 25.0 | 86.0 | 102.5 | 134.0 | 158.0 | 240.5 | 249.0 |
| CUBA AND WEST INDIES | 3.0 | 6.0 | 15.2 | 21.3[b] | 21.5 | 17.6 | 21.1 |
| MEXICO | 18.0 | 115.0 | 162.0 | 122 0 | 124.0 | 132.8 | 132.8 |
| CENTRAL AMERICA | — | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| SOUTH AMERICA | — | 39.0 | 197.8 | 372.5 | 416.0 | 486.2 | 463.0 |
| Argentina | — | — | — | 1.0 | 3.0 | 3.0 | 3.0 |
| Bolivia | — | — | — | 20.0 | 27.5 | 37.0 | 37.0 |
| Brazil | — | — | 2.0 | 3.0 | 3.5 | 5.5 | 5.5 |
| Chile | — | 30.0 | 169.8 | 306.0 | 330.5 | 381.7 | 363.0 |
| Guianas | — | — | — | 0.5 | 0.5 | 0.5 | 0.5 |
| Peru | — | 9.0 | 26.0 | 42.0 | 51.0 | 58.5 | 54.0 |
| AFRICA | — | — | 1.0 | 3.0 | 5.0 | 33.5 | 40.0 |
| ASIA | — | 1.0 | 2.5 | 3.5 | 4.1 | 10.1 | 10.1 |
| OCEANIA | — | — | — | — | — | 6.0 | 6.0 |
| TOTAL | 46.0 | 251.0 | 487.0 | 657.3 | 734.0 | 964.5 | 958.8 |

[b] This estimate is much too small if the investment in iron is included at the price Bethlehem Steel is reported to have paid for the Spanish-American Iron Company.

The Chilean figures given above may be distributed as follows:

| | Nitrate | Copper | Other Metals |
|---|---|---|---|
| 1908 | — | 30.0 | — |
| 1914 | — | 169.0 | 0.8 |
| 1919 | 12.0 | 291.0 | 3.0 |
| 1924 | 15.3 | 312.2 | 3.0 |
| 1929 | 72.7 | 305.0 | 4.0 |
| 1935 | 66.0 | 293.0 | 4.0 |

The data for Europe given in Part II of the table above are probably too small. As given they represent a pre-war investment in German phosphates, and a post-war investment in aluminum production, and in lead and zinc mining. We have found indications of other Ameri-

can mining ventures, both before and since the War, but not sufficient basis for estimating the amounts involved.

For Canada and Newfoundland the pre-war figures given above are considerably larger than those usually reported, but a careful consideration of the data we have assembled indicates that earlier estimates were over-conservative. A check on this part of our work will be made available some time in the future, in a study of Canadian mining now reported in progress by E. S. Moore under the direction of the Carnegie Endowment for International Peace.

Information from various sources is available concerning the investment in Mexico. The case material given in Chapters X-XII regarding American capital in Mexican mining may be supplemented by notes showing the expansion of a single enterprise during a period of a little more than a year near the turn of the century.[13]

The Guggenheim Exploration Co. reported early in March 1903 that since the summer of 1902 it had purchased the following properties in Mexico:

| | Price |
|---|---|
| Mines, mineral lands, etc., at Velardena, Durango | $5,000,000 |
| Hidalgo Mining Co., Chihuahua | 6,000,000 |
| Promontorio mine, Duranga | 2,000,000 |
| Avino Company, Ltd., Duranga | 3,000,000 |
| Escurida mine, Oaxaca | 2,000,000 |

In April the *Engineering and Mining Journal* mentioned the company's recently acquired option on the Caballo Mines, in Durango (from an American) and recent purchases and operations of other properties:

1. The Veta Grande of Zacatecas, bought a short time ago at $200,000 but now paying the purchase price almost monthly;

2. The Quebradilla Mine of Zacatecas from which it is shipping about 4,000 tons a month;

---

[13] The *Chronicle*, Mar. 21, 1903, p. 657; Apr. 11, 1903, p. 813; July 11, 1903, p. 92; June 4, 1904, p. 2337.

3. La Reforma Mines, from which it is sending 300 tons a day to No. 3 Smelter in Monterrey;

4. The Bonanza Mines in Coahuila where there is an old slag dump which it is preparing to ship.

Three months later it was reported that the company had bought the Esperanza Mining Company's mine at El Oro for 4.5 million dollars.

In 1904, according to the *Chronicle*, the company acquired a 60 per cent interest in the properties of the Velardena Company, the other 40 per cent remaining with the American stockholders of Velardena, a company which had been successfully operating mines in Mexico since 1889. The valuation put on the properties for the purposes of this transaction was said to be 10 million dollars, but this was denied by Mr. Guggenheim, who refused to give further information.

Data concerning the South American investment are available from many sources and are fairly satisfactory except for Bolivia and Brazil. It may be that the figures for Bolivia, particularly for 1924 and earlier, are somewhat large, and those for Brazil may be too small, but it is impossible to put these suggested corrections into more accurate terms. Consular reports published by the State Department near the turn of the century provide some useful information concerning the investment in South and Central America at that time. For example, they refer to the following: an American company mining and shipping manganese from Panama;[14] some American gold mining companies operating in Peru;[15] the acquisition of Cerro de Pasco mines by Americans;[16] the Vanderbilt interest in a gold mine in Ecuador;[17] and many American-owned mines in Colombia.[18] From other sources it was reported that an American company was organized in 1900 to operate sulphur deposits along

[14] *Commercial Relations*, 1895-96, Vol. I, p. 709.

[15] The same, 1896-97, Vol. I, p. 905.

[16] The same, 1902, Vol. I, pp. 108, 792.

[17] The same, 1899, Vol. I, p. 658.

[18] The same, 1902, Vol. I, p. 752.

the Chile-Peru boundary;[19] and that the Surinam Hydraulic Co. (organized in Maine seven years earlier) had finished development work by 1909 and had already produced more than 1 million dollars in gold.[20]

The figures showing the investment outside the western hemisphere include the holdings of International Nickel in New Caledonia (acquired in 1902, and sold in 1926) as well as others mentioned in Chapter XII. The total for this group is probably understated in the figures given above. For example, it is known that American capital was invested in mining properties in Korea a decade before the War, but information is lacking concerning the amount involved. The African estimate for the earlier years is also probably quite low, but we have found no satisfactory basis for this estimate.

## V. OIL PRODUCTION

The growth of the American investment in foreign oil production has been traced in Chapter XI and is given in statistical terms in the table on page 588.

The 1929 figures given here differ somewhat from those in *Trade Information Bulletin No. 731*. In part this difference is to be accounted for by the fact that, in its published balance sheets, one of the large oil companies consistently includes some of its investments in affiliated companies at a nominal value.

The pre-war Russian figure represents the investment of Vacuum Oil.[21] The Rumanian estimate includes the investments of Pure Oil and of Standard of New Jersey. The estimate at which the Standard subsidiary is included is large in comparison with its capital stock. However, it

[19] The *Chronicle*, Aug. 4, 1900, p. 237.

[20] Reported in *Moody's Manual* for 1909, but not for later years.

[21] Vacuum Oil reported that it had several million dollars invested in Russia at the time its properties were seized. The *Chronicle*, July 23, 1927, pp. 470-71.

AMERICAN INVESTMENTS IN OIL PRODUCTION ABROAD
(Data are in millions of dollars)

| Location | 1897 | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|---|
| EUROPE | — | 3.5 | 8 | 7.5 | 12 | 20 | 20 |
| Rumania | — | 2.5 | 5 | 7.5 | 12 | 20 | 20 |
| Russia | — | 1 | 3 | — | — | — | — |
| CANADA AND NEWFOUNDLAND | 6 | 15 | 25 | 30 | 40 | 55 | 55 |
| WEST INDIES | 1 | 2 | 3 | 5 | 32 | 52 | 52 |
| Aruba | — | — | — | — | 25 | 45 | 45 |
| Trinidad[a] | 1 | 2 | 3 | 5 | 7 | 7 | 7 |
| MEXICO | 1.5 | 50 | 85 | 200 | 250 | 206 | 206 |
| CENTRAL AMERICA | — | — | — | 3 | 3 | 3.5 | 3.5 |
| SOUTH AMERICA | 2 | 5 | 22 | 83 | 220 | 444.5 | 426 |
| Colombia | — | — | 2 | 20 | 55 | 136 | 126 |
| Peru | 1 | 3 | 15 | 45 | 65 | 68.5 | 60 |
| Venezuela[a] | 1 | 2 | 5 | 18 | 100 | 240 | 240 |
| ASIA | — | — | — | — | 15 | 73 | 110 |
| Arabia, including Bahrein | — | — | — | — | — | 1 | 10 |
| Iraq, Palestine, Syria and Cyprus | — | — | — | — | — | 7 | 25 |
| Netherlands East Indies | — | — | — | — | 15 | 65 | 75 |
| TOTAL | 10.5 | 75.5 | 143 | 328.5 | 572 | 854 | 872.5 |

[a] Including asphalt.

is less than one-third the valuation reported to have been placed on that subsidiary at one time.[22]

In the early Canadian estimates, allowance is made for investments in some American-controlled companies in addition to Imperial Oil. That is, they include the New Brunswick Petroleum Co., Ltd., a Boston company that began operations in 1899 with 1 million dollars paid-up capital; and another company, the $200,000 Oil Exploration Company of Canada, incorporated in 1902.[23]

[22] Ludwell Denny, *We Fight for Oil* (1928), p. 147.
[23] *Commercial Relations*, 1899, Vol. I, p. 340; 1902, Vol. II, p. 297.

The Mexican investment for 1897 is that of the Waters-Pierce Oil Company alone. For 1908 it also includes Mexican Petroleum (Doheny's company), with some allowance for other American companies. The Waters-Pierce Company, which was part of the Standard Oil system before 1882, had only $400,000 of issued capital stock, but its investment in Mexico amounted to 1.4 million dollars in 1895, increased to 2.9 millions by 1903. In the latter year its net profit on operations in Mexico was 1.4 million dollars. By 1907 the company had three Mexican refineries that purchased their crude from Standard.[24] By 1908, therefore, this company's investment probably amounted to at least 11 or 12 million dollars. Mexican Petroleum in 1908 had 38 million dollars of stock outstanding; and by 1914 the book value of the company's investment amounted to almost 63 million dollars, of which at least 58 millions were placed in Mexico. Sinclair, the Oil Fields of Mexico, and a half dozen or so other companies complete the 1914 estimate. After 1914 there was a great rush of companies into Mexican oil. The Federal Trade Commission reported the total Mexican investment of American oil companies in December 1922 at 303 million dollars, of which about 41 millions were represented by "ships and other facilities" and the rest by Mexican land, oil wells, pipe lines, steel tanks, concrete and other storage, and refineries.[25] By 1924 some American companies were beginning to re-invest their Mexican earnings outside rather than inside Mexico; and by 1929 some companies had, in fact, considerably reduced the book value of their holdings.

The estimates for other geographic areas are based on data described in the text, pages 223-31.

[24] Commissioner of Corporations, *Report on the Petroleum Industry*, Pt. I, p. 91; Pt. II, p. 538.

[25] Federal Trade Commission, *Report on Foreign Ownership in the Petroleum Industry* (Feb. 12, 1923), p. 152.

## VI. AGRICULTURE

The growth of the American investment in agricultural enterprises abroad, including rural lands of all sorts, is shown by the table below.

INVESTMENTS IN AGRICULTURAL ENTERPRISES ABROAD
(In millions of dollars)

| Products and Location | 1897 | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|---|
| SUGAR | **24** | **57** | **118** | **360** | **678** | **659** | **384** |
| Cuba | 20 | 50 | 95 | 315 | 575 | 544 | 300 |
| Dominican Republic | — | — | 10 | 20 | 56 | 60 | 37 |
| Haiti | — | — | — | 7 | 8 | 8.7 | 6.5 |
| Mexico[a] | .. | .. | ... | . | 12 | 12.8 | 8 |
| Central America | — | — | — | — | 2 | 2 | 2 |
| Colombia[b] | 2 | 4 | 7 | 8 | 10 | 10 | 9 |
| Peru | 2 | 3 | 3 | 4 | 5 | 6 | 5 |
| Philippine Islands | — | — | 3 | 6 | 10 | 15.5 | 16.5 |
| FRUIT | **10.5** | **31.5** | **61.8** | **72.5** | **94.0** | **161.3** | **63.1** |
| Cuba | 1.5 | 6 | 12 | 12 | 5 | 9 | 4 |
| Dominican Republic | 0.5 | 1 | 1 | 1 | 1.2 | 1.2 | 1.2 |
| Jamaica | 2.0 | 3.3 | 4.3 | 5.4 | 7.9 | 7.5 | 2.5 |
| Mexico | — | — | — | — | 1.5 | 4.6 | 1.7 |
| Costa Rica | 3.5 | 12.2 | 16.4 | 13 | 13 | 12.5 | 5.4 |
| Guatemala | — | 2 | 4.9 | 4.5 | 3.9 | 3.8 | 3.1 |
| Honduras | — | — | 6.7 | 15.3 | 36.2 | 74.8[c] | 24.2 |
| Nicaragua | — | — | 0.5 | 3.2 | 3.8 | 11.3 | 2.4 |
| Panama | — | 4 | 8 | 8.1 | 10.5 | 25.6 | 10.1 |
| Colombia | 3 | 3 | 8 | 10 | 11 | 11 | 8.5 |
| RUBBER | **3** | **20** | **23** | **26.5** | **38.5** | **57.5** | **53** |
| Mexico | 2 | 20 | 15 | 3 | 2 | 1.5 | 1 |
| Brazil | 1 | — | — | — | — | 5 | 5 |
| Dutch East Indies | — | — | 8 | 23.5 | 26 | 30 | 27.5 |
| British Malaya | — | — | — | — | 10 | 12.5 | 11 |
| Philippine Islands | — | — | — | — | — | 0.5 | 0.5 |
| Liberia | — | — | — | — | 0.5 | 8 | 8 |

INVESTMENTS IN AGRICULTURAL ENTERPRISES ABROAD—*Continued*

| Products and Location | 1897 | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|---|
| ALL OTHER PRODUCTS.. | **39** | **78** | **153** | **128** | **107.5** | **108** | **86.5** |
| Canada[d]......... | 18 | 25 | 101 | 50 | 30 | 30 | 29 |
| Cuba[e]........... | 10 | 32 | 22 | 22 | 22 | 22 | 20 |
| Mexico[f]....... ... | 10 | 20 | 22 | 45 | 41 | 40 | 25 |
| Colombia... .... | — | — | 1 | 2 | 2 | 2 | 1 |
| Paraguay[g].. .... | — | — | 5 | 6 | 7.5 | 7.5 | 5 |
| Venezuela...... | 1 | 1 | 1 | 1 | 2 | 2 | 2 |
| Philippine Islands. | — | — | 1 | 2 | 3 | 4.5 | 4.5 |
| ALL AGRICULTURE.... | **76.5** | **186.5** | **355.8** | **587.0** | **918.0** | **985.8** | **586.6** |

[a] For early years whatever investment there was in sugar is included with the "all other" group. The Bureau of National Statistics estimated the American investment in 1929 at only 5.4 million dollars. The *Wall Street Journal*, Feb. 19, 1930.

[b] Includes coffee.

[c] The Cuyamel investment was written up considerably before the company was merged with United Fruit.

[d] The 1924 and later figures include farms and timber not held by pulp and paper companies; the earlier estimates, based on Field's data (p. 611 below) include speculative and other land holdings.

[e] Largely tobacco and hemp in the post-war period. The pre-war figures include large amounts for cattle lands and cattle, which in later years are not separated from the investments of the fruit and sugar companies.

[f] Includes chicle and sisal plantations, ranches and farms, and timber. The Hearst estate alone had almost 1.6 million acres in 1935, largely agricultural land, valued at 12 million dollars. (*Fortune*, October 1935, p. 52.) In 1923 rural lands valued for tax purposes at 42 million dollars were American owned. This includes land devoted to sugar, fruit, and rubber. Frank Tannenbaum, *The Mexican Agrarian Revolution* (1930), p. 365.

[g] This includes quebracho acreage in the Chaco, cattle lands, and cattle —held principally by the International Products Co. whose 1935 balance sheet is given in the *Chronicle*, Nov. 23, 1935, p. 3380. Other companies concerned are listed by Max Winkler, *Investments of United States Capital in Latin America* (1929), pp. 139–40.

In some cases we have been able to use estimates compiled by other writers; in many others, it has been necessary to estimate on the basis of data from the financial manuals and journals.

In order that we might have consistent data for esti-

GROWTH IN AMERICAN-CONTROLLED

(Data for principal companies,

| Companies (By comparability of available data)[b] | Earliest Incorporation | 1914 Stock | 1914 Surplus | 1914 Bonds[c] | 1919 Stock | 1919 Surplus[d] | 1919 Bonds |
|---|---|---|---|---|---|---|---|
| I American Sugar | 1919 | | | | 5,000 | ... | — |
| Beattie | 1920 | | | | | | |
| Camaguey | 1922 | | | | | | |
| Caracas | 1919 | | | | 2,500 | . | — |
| Central Cuba | 1911 | 5,000 | 145 | 5,260 | 5,000 | 1,000 | 4,476 |
| Central Sugar | 1916 | | | | 3,400 | −73 | 1,200 |
| Cespedes | 1924 | | | | | | |
| Cuba Cane | 1915 | | | | 52,000 | 16,712 | 26,000 |
| Cuban-American | 1899 | 15,029 | 3,894 | 9,295 | 17,894 | 22,367 | 4,000 |
| Ermita | 1923 | | | | | | |
| Ferrer | 1923 | | | | | | |
| Francisco | 1899 | 300 | 1,063 | 1,500 | 2,200 | 3,853 | 1,302 |
| Guantanamo | 1905 | 2,490 | 1,567 | — | 3,000 | 3,537 | — |
| Cuban Sugar Mills[k] | 1916 | | | | 3,600 | . | 1,313 |
| Manati | 1912 | 6,600 | 197 | 2,500 | 13,500 | 1,525 | — |
| Matanzas-American | 1915 | | | | 1,750 | 120 | 750 |
| New Niquero | 1905 | 1,500 | 424 | — | 1,500 | 2,351 | — |
| Punta Alegre | 1915 | | | | 11,637 | 9,136 | — |
| Santa Cecelia | 1904 | 2,221 | 75 | 1,530 | 2,750 | 313 | 700 |
| Stewart Sugar | 1907 | 2,500 | . | 2,750 | . | .. | .. |
| Tuinucu | 1891 | 500 | 654 | 115 | 924 | 1,500 | 80 |
| Total, Group I | | 36,140 | 8,019 | 22,950 | 127,155 | 62,341 | 39,821 |
| II Caribbean | 1920 | | | | | | |
| Central Teresa | 1895 | ... | ... | .. | 3,500 | 467 | 100 |
| Vertientes | 1914 | . | .. | | .. | .. | .. |
| Washington | 1910 | 1,600 | 147 | 1,000 | 1,600 | | 833 |
| Total, Group II | | 1,600 | 147 | 1,000 | 5,100 | 467 | 933 |
| III Atlantic Fruit | 1912 | 1,500 (Assets) | | | 1,500 (Assets) | | |
| Cardenas-American | 1912 | 2,625 | 48 | — | 2,625 | 324 | — |
| Cuban Company | 1900 | 8,470 (Assets) | | | 1,328 | 2,579 | 6,346 |
| Cuba Dominican | 1922 | | | | 8,000 (Assets) | | |
| Hershey Chocolate | v | | | | | | |
| Nipe Bay | 1900 | 5,503 | 135 | 6,227 | 24,407 (Assets) | | |
| United Fruit | 1899 | 8,386 (Assets) | | | | | |
| Warner | 1906 | 2,000 (Assets) | | | 3,000 (Assets) | | |
| West India | 1913 | ... | .. | ... | 5,291 | 1,980 | 5,000 |
| Total, Group III[b] | | 34,894 | | | 62,380 | | |
| Grand total[b] | | 104,750 | | | 298,197 | | |

[a] Three dots indicate that data are not available; the dash is used for zero.

[b] Companies in Group III had properties in addition to their Cuban sugar, and data are therefore given for their fixed assets in sugar rather than their capitalization. The total for Group III and for the three groups combined therefore represents a "total investment" figure obtained from the data that are available.

[c] Probably 75 per cent of the bonds outstanding in 1914 were held in Great Britain, Holland, and other European countries.

[d] The minus sign indicates an accumulated deficit.

[e] Cunagua and Jaronu centrals only.

[f] In reorganization 1936.

[g] In bankruptcy 1932; no later information.

[h] Sold at public auction 1931.

[i] Mortgage foreclosed 1934; no later information.

[j] Mortgage foreclosed 1933; no later information.

SUGAR COMPANIES, 1914–35
in thousands of dollars[a])

| 1924 | | | 1929 | | | 1935 | | | Companies (New name and date, if reorganized) |
|---|---|---|---|---|---|---|---|---|---|
| Stock | Surplus[d] | Bonds | Stock | Surplus[d] | Bonds | Stock | Surplus[d] | Bonds | |
| 15,000 | 30,000 | — | 15,000 | 20,000 | — | 15,000 | 10,000 | 582 | American Sugar[e] |
| 3,269 | 2,451 | 2,900 | 3,264 | 869 | 2,683 | 1,335 | | 3,411 | Vicana (1935) |
| 7,858 | 661 | 7,500 | 10,700 | −1,918 | 4,950 | 10,550 | −10,091 | 6,150 | Camaguey[f] |
| 2,500 | −391 | — | 3,000 | −100 | 2,000 | | | | Caracas[g] |
| 5,000 | .. | 3,960 | 5,000 | ... | 3,815 | 5,000 | .. | 3,815 | Central Cuba |
| 4,269 | −27 | 119 | 4,269 | −1,290 | 119 | | | | Salamanca (1923)[h] |
| 4,593 | 495 | 2,923 | 4,593 | 855 | 2,239 | 4,593 | −2,448 | 1,995 | Cespedes[f] |
| 54,583 | 13,282 | 35,622 | 54,583 | 5,153 | 33,837 | 7,140 | 870 | — | Cuban Atlantic (1935) |
| 17,894 | 30,177 | 9,030 | 17,894 | 26,151 | 7,804 | 17,894 | 15,294 | — | Cuban-American |
| 1,800 | 518 | 925 | 1,800 | . | 840 | 1,800 | 75 | 840 | Ermita[i] |
| 2,500 | 461 | 1,950 | 2,500 | | 1,950 | 2,500 | . | 1,950 | Ferrer[j] |
| 5,000 | 4,053 | 4,735 | 5,000 | 4,865 | 5,410 | 5,000 | 1,170 | 3,501 | Francisco (1936) |
| 5,140 | 2,310 | — | 5,779 | 776 | — | 5,779 | 1,476 | — | Guantanamo |
| 1,200 | 608 | 700 | (1,200) | ... | 827 | (1,200) | . . | 827 | La Francia (1929)[l] |
| 13,500 | 1,753 | 7,629 | 13,500 | 725 | 5,755 | 13,500 | −4,865 | 7,392 | Manati[m] |
| 1,704 | −83 | 750 | | | | | | | Matanzas-American[n] |
| 4,500 | 726 | 620 | 4,500 | 52 | 575 | 4,500 | −642 | 551 | New Niquero |
| 16,907 | 8,675 | 9,891 | 19,407 | 3,095 | 11,368 | 409 | 11,793 | 5,129 | Punta Alegre (1932) |
| 2,750 | −1,396 | 1,350 | 2,750 | −2,136 | 1,350 | | | | Santa Cecelia[o] |
| | ... | .. | . | | | . | ... | .. | —[p] |
| 3,000 | 2,206 | 27 | 4,250 | 972 | — | 4,250 | .. | — | Tuinucu |
| 173,327 | 96,479 | 90,631 | 179,349 | 58,069 | 85,522 | 100,450 | 19,680 | 36,143 | Total, Group I |
| ... | .. | .. | 3,857 | 173 | 2,600 | 3,857 | −1,474 | 3,922 | Caribbean |
| 3,500 | −302 | — | . | . | — | . | . | . | Central Teresa[q] |
| 8,338 | 1,720 | 10,000 | 22,338 | −991 | 9,100 | 22,338 | −15,386 | 10,200 | Vertientes[f] |
| 1,600 | | . | | . | . | | . | .. | Washington[r] |
| 13,438 | 1,418 | 10,000 | 26,195 | −818 | 11,700 | 26,195 | −16,860 | 14,122 | Total, Group II |
| 18,200 (Assets) | | | 16,000 (Assets) | | | | | | Atlantic Fruit[s] |
| 2,600 (Assets) | | | 2,600 (Assets) | | | 2,600 (Assets) | | | Cardenas-American |
| 1,328 | 6,117 | 8,332 | 5,978 | 7,041 | — | 5,978 | 654 | — | Compania Cubana (1918)[u] |
| 45,000 (Assets) | | | 43,000 (Assets) | | | 15,000 (Assets) | | | Cuban-Dominican |
| 16,000 (Assets) | | | 25,000 (Assets) | | | 25,000 (Assets) | | | Hershey Chocolate |
| 47,300 (Assets) | | | 40,000 (Assets) | | | 22,000 (Assets) | | | United Fruit[w] |
| 16,500 (Assets) | | | 16,500 (Assets) | | | 15,000 (Assets) | | | Warner |
| | | | | | | | | | West India[x] |
| 161,377 | | | 156,119 | | | 86,232 | | | Total, Group III |
| 546,670 | | | 516,136 | | | 265,962 | | | Grand total |

[k] The value of the stock of this company in 1929 and 1935 is included at the 1924 figure.
[l] Stockholders' equity since 1929 represented by no-par shares.
[m] In receivership since 1932.
[n] Not operating since 1928.
[o] No information since 1929.
[p] Bought by Cuba Cane in 1916.
[q] In reorganization 1926; no later information.
[r] No information since 1927; closely held.
[s] In dissolution 1931.
[t] Acquired in 1920 by Charles E. Hires Co.
[u] A Cuba Company subsidiary.
[v] Hershey acquired a number of sugar properties in Cuba during the War.
[w] Nipe Bay was acquired by United Fruit in 1917.
[x] Dissolved in 1924.

mating the investment in Cuban sugar, the table on pages 592-93 was compiled. This includes all American companies we have been able to identify—but does not itemize their subsidiaries. For this reason it omits many names familiar to those acquainted with the industry. For 1929, the total for the companies tabulated is 95 per cent of the estimate reported in *Trade Information Bulletin No. 731*. The latter figure is accepted for 1929, and estimates for other years are adjusted to take care of similar omissions.

The investment in fruit and rubber, by geographic areas, has been estimated on the basis of detailed data given in the financial manuals and journals.

The "all other" group is based largely on earlier estimates, with only slight information available concerning individual companies. The Canadian figures for the pre-war period are based on Field's estimates (page 611 below) and for the post-war years on *Trade Information Bulletin No. 731*. Field's figure for 1914 represents speculative land holdings, and timber lands not held by pulp and paper companies, a figure that would normally scale down with the development of the country and the expansion of the pulp and paper industry. Other estimates are described in the footnotes. Figures for Cuba include tobacco plantations, which in 1908 probably amounted to no more than 2 or 3 million dollars, the large investment in the tobacco industry being in manufacturing rather than agriculture.

## VII. MANUFACTURING

Some American branch plants were established abroad as early as the 1860's, and since then such investments have increased in size and number. The growth of this asset item since 1897 is shown by the table which follows:

American Manufacturing Abroad
(Data are in millions of dollars)

| Location | 1897 | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|---|
| Europe | 35 | 100 | 200 | 280 | 450 | 636.6 | 640 |
| Canada and Newfoundland: | | | | | | | |
| Paper and pulp[a] | 20 | 55 | 74 | 100 | 180 | 278.9 | 290 |
| Other manufacturing | 35 | 100 | 147 | 300 | 420 | 540.6 | 550 |
| Cuba and other West Indies | 3 | 18 | 20 | 26 | 30 | 47.1 | 45 |
| Mexico | — | 10 | 10 | 8 | 7 | 6.3 | 6 |
| Central America | — | — | — | — | — | 7.2 | 7 |
| South America | — | 2 | 7 | 50 | 90 | 170.4 | 200 |
| Africa | — | — | — | — | 3 | 6.7 | 7 |
| Asia | — | 5 | 10 | 15 | 46 | 77.4 | 75 |
| Oceania | 0.5 | 6 | 10 | 16 | 26 | 49.8 | 50 |
| Total | 93.5 | 296 | 478 | 795 | 1,252 | 1,821.0 | 1,870 |

[a] For 1897 the figure given appears to be a conservative average between the high and low estimates referred to in various consular reports. For 1908 and 1914 the figures are based on Field's estimates for British Columbia mills and timber.

To attempt further details in the geographic distribution of the data would require a great deal more information than is now available, for much work remains to be done in bringing together and analyzing evidence still buried in old records of various industries.

The Canadian figure given above for 1897 was estimated as follows: In the eighteen years 1870-87 at least 82 American companies were established in Canada and 4 withdrawn, a net increase of 78 companies whose average capitalization was $326,500.[26] If as many as two-thirds of these companies survived during the next ten years, if there was no re-investment of earnings, and if new companies came in at the same rate as before, the investment by the end of 1897 would have grown to about 35 million dollars. Information from other sources indicates that these assumptions probably lead to a minimum estimate.

[26] Herbert Marshall, Frank A. Southard, Jr., and Kenneth W. Taylor, *Canadian-American Industry* (1936), p. 13.

The rapid flow of American capital into Canada during the early part of the twentieth century is indicated by a report which the American Consul-General at Montreal made in October 1902. In it he lists the following American companies that had recently been established in Canada:[27]

| Name or Description of Company | Capital | Notes |
|---|---|---|
| Canadian Steel and Coal Co. | $6,000,000 | Company was organized by a Wall Street capitalist |
| Federal Sugar Refining Co., Ltd. | 6,000,000 | Organized by Spreckles and Cook of New York |
| Burgess Sulphite Paper Co. | . | Bought 600 square miles of Canadian timber |
| American Abell Engine Thrasher Co. | 1,000,000 | A joint project of two American companies |
| Westinghouse<br>Ingersoll Sargent Drill<br>Port Huron Thrashing Machine Co.<br>Deering Harvester Co. | . . . | All of these American companies are engaged in the location of great plants in the Province of Ontario |
| Canadian Coral Marble Co. | 500,000 | Greater part of capital is American |
| Porcelain enameled baths | . . | Extensive plant to be built by American capitalists |
| Locomotive and Machine Co. | 1,000,000 | Largely American |
| The Northern Cereal Co. | 2,000,000 | American and Canadian capital |
| Swift & Co. | . . | Erecting pork-packing plant |
| Haines Piano Co. | | Candian plant established |
| Clover Leaf Mining Co. | 1,000,000 | Majority of capital American |
| Buffalo Forge Co. | | Will build Canadian branch |
| Plant for fireproofing lumber | . | Established in Montreal by New York company |
| American Bridge Company | 100,000 | Licensed to operate in Canada |
| Globe-Wernicke Co. | . . | Given ten-year tax exemption for locating in Canada |
| Manufacture of spades, shovels, and garden tools | . | American and Canadian capital |
| American Actinolite and Asbestos | . . . | American company operating in Canada |
| Stohl Wagon and Farm Implement Co. | | Moving to Canada |
| Northern Aluminum Co. | 500,000 | Largely American |

[27] *Commercial Relations*, 1902, Vol. I, pp. 296-300.

| | | |
|---|---|---|
| Montreal Novelty Co. | .. | Established by New York parties |
| Imperial Pneumatic Tool Co. | 25,000 | Nearly all American |
| Clergue Syndicate (Sault Ste. Marie) | .. | Iron and steel plants, pulp mills, coke ovens, nickel mines, established by American capital |
| Cold storage company | 1,000,000 | American and Canadian |
| Canning factory | .. | Company granted tax exemption and monopoly privileges, and an issue of bonds is guaranteed by the local government |
| International Harvester | | Erecting plant at Hamilton |
| Altman-Taylor Implement Co. | . | Establishing Canadian branch |
| Canadian Woolen Mills Co. | . | Bought by Americans |
| International Paper Co. | . | Will build plant and begin operations in year or two on its Canadian timber lands. Already has sawmill. Company has 1,900,000 acres of spruce in Canada |

Three years earlier the following investments in Canadian manufacturing were reported:[28]

The Dominion Iron and Steel Co., Ltd., was organized in 1899 by H. M. Whitney of Boston, who already had large coal properties in Nova Scotia, and who was the first president of this new concern. Both American and Canadian capital participated. From a 10 million dollar capitalization in 1899 the company had increased by 1902 to 20 million dollars of stock plus 15 millions of bonds.

The Pittsburgh Reduction Company invested 3 million dollars at Shawinigan Falls in 1899.

American capitalists and a few Canadians bought the Baptiste Mills (wood pulp) at Calumet, including 640 square miles of spruce timber lands.

For 1908 and 1914 the Canadian estimates are based on studies made by Fred W. Field.[29] For 1929 they are

[28] *Commercial Relations*, 1899, Vol. I, pp. 316-18, 359, 361, 368.
[29] Reproduced on p. 611 below.

from *Trade Information Bulletin No. 731*, and for 1935 they are based partly on the data for 1932, reproduced on page 612 below, and partly on detailed information with regard to certain companies.

Little information was currently published concerning early American investments in Europe, where they were looked upon with less favor than in Canada. A few consuls from time to time noted the existence of American companies in their districts,[30] but manufacturing branches in Europe were usually incorporated under foreign names and their American affiliation allowed to pass without notice except when brought to light by unusual circumstances. Available information indicates, however, that manufacturing branches in Europe in the nineties and early part of the present century represented as large an investment as that placed in Canada. The number of companies may have been smaller, but the average investment probably was larger.

Some evidence is furnished by the data below showing the number of European and Canadian branches in operation in 1929, classified by date of establishment. The right-hand section of the table gives similar data for

[30] The consul at Limoges, France, reported in 1897 that the most important china factories in that city were carried on with American capital, and that seven-tenths of the money invested in the industry came from the United States (*Commercial Relations*, 1896 and 1897, Vol. II, p. 257). The consul-general at Frankfort, Germany, reported eight American companies operating in his district in 1902: one chain of retail shoe stores with a capital of $100,000; one manufacturer's sales organization with a capital of $150,000; and six manufacturing branch houses whose capital aggregated well over a million dollars. (The same, 1902, Vol. II, pp. 322-23.) The consul at Mannheim, Germany, reported that an American company was manufacturing matches in his district (the same, p. 348). The consul at Moscow reported the presence of two American manufacturing concerns—the New York Air Brake Co. (whose plant at Moscow cost 1.5 million dollars); Singer Manufacturing Company, with a factory at Podolsk. The two companies in Russia had both imported their machinery from the United States, and the brake company employed Americans as master mechanics (the same, p. 603). Other companies have been mentioned in Chap. XIV.

companies operating in 1934 in four South American countries.[31]

FOREIGN BRANCHES OF AMERICAN FACTORIES

| Number Operating in 1929 | | | Number Operating in 1934 | |
|---|---|---|---|---|
| When Established | In Europe | In Canada (excluding pulp and paper) | In Argentina, Chile, Brazil, Uruguay | When Established |
| Before 1881 | 3 | 4 | – | Before 1881 |
| 1881-1897 | 12 | 8 | – | 1881-1897 |
| 1898-1908 | 48 | 51 | 1 | 1898-1908 |
| 1909-1914 | 44 | 84 | 3 | 1909-1914 |
| 1915-1919 | 30 | 54 | 11 | 1915-1919 |
| 1920-1924 | 79 | 101 | 8 | 1920-1924 |
| 1925-1929 | 188 | 115 | 21 | 1925-1929 |
| Not given | 49 | 107 | 20 | 1930-1933 |
| Total | 453 | 524 | 64 | Total |

To the list for Europe should be added the companies in Russia that were confiscated after the 1917 revolution and are therefore not included in the table above.[32]

The greater number of the branch plants established in South America are post-war enterprises, but there are exceptions. Grace & Co. had textile mills on the west coast before the War. By 1935 the company had six mills in operation, three in Peru and three in Chile. At the turn of the century the Diamond Match Co. (organized in 1889) held a controlling interest in a factory at Lima, Peru, equipped with its patented machinery.[33] The Singer Manufacturing Company established three as-

[31] *Trade Information Bulletin No. 731*, pp. 41-42; Dudley Maynard Phelps, *Migration of Industry to South America* (1936), p. 15. Petroleum companies included by Phelps have been excluded from the figures in the table.

[32] Data concerning the pre-war investment in Russia are given on pp. 295-96 above.

[33] The company had similar investments in Liverpool and London, in Switzerland, Germany, and the Philippines. (*Moody's Manual*, 1903, p. 1461.)

sembly and service branches between 1904 and 1906. The United Shoe Machinery Corporation established a similar organization in 1903, and another in 1905. Swift and Company bought a cold storage plant and organized a subsidiary in Argentina in 1907, and a few years later expanded into Uruguay and Brazil. Armour organized an Argentine subsidiary in 1911, and the New York Tanning Company was established the same year.[34]

The table on page 599 above shows only 15 companies established in Argentina, Chile, Brazil, and Uruguay before 1920, compared with 29 in the decade 1920-29, and 20 in the four years 1930-33. The Department of Commerce has accounted for 42 established in all of South America in the decade 1920-29.[35]

In other Latin American countries the American investment in manufacturing is of negligible importance. An observer traveling in Mexico in 1886 reported manufacturing to be at such a low stage there that the saddle-makers, the most important manufacturing group in the country, found it advantageous to have the larger part of their work done in the United States where machinery could be employed.[36] Barlow's estimate, summarized on page 613 below, put the American manufacturing investment in Mexico at 10.2 million dollars in 1902, part of which represents the investment of Americans domiciled in Mexico. For 1929 the Department of Commerce reported a total of 6.3 million dollars.

At least one American company had established a manufacturing branch in Australia before 1897—the only one not in Canada or Europe concerning which we have information. The number has increased steadily since then. The reported investment in Australia and New Zealand in 1929 was 49.8 million dollars. Since

[34] Sold during the War to British interests.
[35] *Trade Information Bulletin No. 731*, p. 44.
[36] David A. Wells, *A Study of Mexico* (1887), p. 138. High import taxes practically prohibited the importation of machinery into Mexico.

then there have been some losses, probably offset by the new plants that have been established since the depression began.

Two American cotton mills were operating in China in 1900, their total capital amounting to 1.2 million dollars. However, the greater part of the 75 million dollar investment in manufacturing plants in Asia has been made since 1917. In Africa the Eastman Kodak Company has an investment of 1.9 million dollars, and Firestone has recently built a million dollar factory. In the aggregate, however, the investment in African factories is small, and of recent growth.

## VIII. RAILROADS

The growth of the American investment in foreign railways is shown by the data on page 602. For the most part these have been compiled from the financial reports of the companies concerned. In the case of two or three countries, estimates for 1897 and 1908 had to be supplied on the basis of descriptive material from the financial manuals and journals.

The figures exclude roads that American concerns controlled as necessary parts of their production enterprises abroad. For example, they exclude the roads on sugar plantations in Cuba, on fruit plantations in Central and South America, and the roads that are operated as part of the foreign mining investment of various American companies. They also exclude the large minority holdings of Americans in the Canadian Pacific Railway Company.

The definition indicated above for the American investment in foreign railways differs from that which the Department of Commerce adopted in its 1929 investigation. This fact explains the difference between our figure of 309 million dollars for 1929 and the much larger amount at which the railway investment was included in that study.

RAILROADS
(Estimated investment, in millions of dollars)

| Location | 1897 | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|---|
| CANADA AND NEWFOUNDLAND . . . . | **12.7** | **51.4** | **68.9** | **75.8** | **79.0** | **72.9** | **69.3** |
| CUBA AND OTHER WEST INDIES . . . . . . . . . . . . | **2.0** | **43.2** | **23.8** | **41.4** | **72.0** | **84.0** | **68.8** |
| Cuba . . . . . . . . | — | 38.1 | 13.4 | 31.3 | 62.3 | 81.7 | 67.8 |
| Dominican Republic | 1.0 | — | — | — | — | — | — |
| Haiti . . . . . . . . . . . . | — | 5.1 | 10.4 | 10.1 | 9.7 | 2.3 | 1.0 |
| Jamaica . . . . . . . . . | 1.0 | — | — | — | — | — | — |
| MEXICO . . . . . . . . . . | **110.6** | **56.8** | **110.4** | **122.9** | **139.2** | **81.8** | **60.5** |
| CENTRAL AMERICA . . . | **15.7** | **9.0** | **37.9** | **43.3** | **46.5** | **64.3** | **57.0** |
| Guatemala . . . . . . . . | 6.0 | 8.0 | 30 6 | 32.0 | 34.3 | 41.5 | 36.6 |
| Nicaragua . . . . . . . | — | — | 1.5 | 1.5 | — | — | — |
| Panama . . . . . . . . . . . | 9.7 | — | — | — | — | — | — |
| Salvador . . . . . . . . . | — | 1.0 | 5.8 | 9.8 | 12.2 | 22.8 | 20.4 |
| SOUTH AMERICA . . . . . . . | **2.4** | **1.0** | **3.6** | **3.6** | **3.6** | **—** | **—** |
| Colombia . . . . . . . . . | 1.4 | — | — | — | — | — | — |
| Ecuador . . . . . . . . . . | 1.0 | 1.0 | 3.6 | 3.6 | 3.6 | — | — |
| ASIA . . . . . . . . . . . . . . . | **—** | **—** | **10.5** | **10.3** | **6.7** | **5.7** | **4.9** |
| Philippine Islands . . | — | — | 10.5 | 10.3 | 6.7 | 5.7 | 4.9 |
| TOTAL . . . . . . . . . . . . | **143.4** | **161.4** | **255.1** | **297.3** | **347.0** | **308.7** | **260.5** |

## IX. PUBLIC UTILITIES

The table on page 603 presents a reasonably satisfactory summary of the growth and distribution of American investments in foreign utilities. In general it is made up of estimates, since the reports published by the companies do not give detailed information concerning foreign properties. However, for all years except 1929, we have made use of company records and of fragmentary bits of information from various published sources, deriving estimates that probably understate, rather than exaggerate, the size of the American investment. For 1929 we have depended largely on the results of the investigation made by the Department of Commerce. That study was also of assistance in deriving the esti-

PUBLIC UTILITIES
(Estimated investment, in millions of dollars)

| Location | 1897 | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|---|
| **EUROPE** | **10.0** | **12.8** | **10.8** | **5.0** | **8.4** | **138.3** | **174.9** |
| France | — | — | — | — | — | 5.3 | 5.3 |
| Great Britain | 10.0 | 10.0 | 8.0 | 5.0 | 5.0 | 18.0 | 32.0 |
| Italy | — | — | — | — | — | 66.5 | 66.5 |
| Netherlands | — | 2.8 | 2.8 | — | — | — | — |
| Portugal | — | — | — | — | — | 1.5 | 3.0 |
| Rumania | — | — | — | — | — | — | 12.6 |
| Spain | — | — | — | — | 3.4 | 47.0 | 55.0 |
| Yugoslavia | — | — | — | — | — | — | 0.5 |
| **CANADA AND NEWFOUNDLAND** | **2.0** | **5.0** | **8.0** | **15.0** | **30.0** | **245.0** | **245.0** |
| **CUBA AND OTHER WEST INDIES** | **—** | **24.0** | **58.0** | **59.2** | **113.1** | **104.9** | **103.2** |
| Cuba | — | 24.0 | 58.0 | 58.5 | 111.9 | 98.1 | 98.1 |
| Dominican Republic | — | — | — | 0.5 | 1.0 | 4.0 | 4.0 |
| Haiti | — | — | — | 0.2 | 0.2 | 2.8 | — |
| Jamaica | — | — | — | — | — | — | 1.1 |
| **MEXICO** | **5.6** | **21.6** | **33.2** | **31.7** | **31.7** | **90.4** | **90.4** |
| **CENTRAL AMERICA** | **—** | **0.6** | **3.5** | **5.6** | **12.6** | **32.6** | **33.8** |
| Costa Rica | — | — | — | — | — | 8.0 | 8.0 |
| Guatemala | — | — | 0.3 | 0.5 | 3.8 | 8.0 | 8.0 |
| Honduras | — | — | — | — | — | 1.5 | 1.5 |
| Nicaragua | — | — | — | — | — | 3.0 | 3.0 |
| Panama | — | 0.6 | 3.2 | 5.1 | 8.8 | 10.1 | 11.3 |
| Salvador | — | — | — | — | — | 2.0 | 2.0 |
| **SOUTH AMERICA** | **4.5** | **5.3** | **3.7** | **4.5** | **4.5** | **348.0** | **365.5** |
| Argentina | 0.7 | 1.0 | 1.2 | 1.5 | 1.5 | 147.8 | 165.0 |
| Bolivia | — | — | — | — | — | 3.5 | 3.5 |
| Brazil | — | — | — | — | — | 96.9 | 96.9 |
| Chile | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 66.7 | 66.7 |
| Colombia | 0.8 | 0.8 | — | — | — | 13.1 | 15.0 |
| Ecuador | — | — | — | — | — | 7.1 | 7.1 |
| Peru | 2.0 | 2.0 | 1.0 | 1.5 | 1.5 | 7.5 | 9.0 |
| Uruguay | — | — | — | — | — | 3.1 | — |
| Venezuela | — | 0.5 | 0.5 | 0.5 | 0.5 | 2.3 | 2.3 |
| **AFRICA (Canary Islands)** | **—** | **—** | **—** | **—** | **—** | **1.5** | **3.0** |
| **ASIA** | **—** | **15.7** | **16.0** | **16.9** | **23.4** | **64.5** | **72.2** |
| China | — | — | — | — | 4.5 | 35.0 | 38.0 |
| India | — | — | — | — | — | 1.5 | 3.2 |
| Philippine Islands | — | 15.7 | 16.0 | 16.9 | 18.9 | 28.0 | 31.0 |
| **TOTAL** | **22.1** | **85.0** | **133.2** | **137.9** | **223.7** | **1025.2** | **1088.0** |

mates for other years. A slight adjustment was made in the Commerce figure to shift certain utilities from the utility group to the mining and manufacturing industries with which they are integrated.

## X. OTHER DIRECT INVESTMENTS

The investment in ocean shipping and a miscellaneous lot of enterprises increased from a negligible amount in 1897 to about 344 million dollars in 1935. The composition of this group is indicated by the figures below which itemize the 1935 total (in millions of dollars):

MISCELLANEOUS
(Estimated investments, in millions of dollars)

| Investments | 1897 | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|---|
| Ocean shipping and freight handling.... | 5.0 | 122.0 | 129.0 | 135.0 | 131 0 | 60.0 | 33.0 |
| Other miscellaneous ... | 3.0 | 11.0 | 30.0 | 68.0 | 145.0 | 281.7 | 311.5 |
| Total . . . .. | 8.0 | 133.0 | 159.0 | 203.0 | 276.0 | 341.7 | 344.5 |

| | |
|---|---|
| Ocean shipping and freight handling .. . ... | 33 |
| Merchandising .. . | 95 |
| Motion pictures and theaters . . | 62 |
| Real estate, hotels, and amusements . . . | 30 |
| Grain elevators (in Canada) .. . | 9 |
| Fishing (in Canada) ... . . . .. | 6 |
| Advertising, engineering, education, and others . | 110 |
| Total .... . ....... . .... . . | 345 |

Information concerning most of the investments comprising this group is unsatisfactory. Rough estimates are included, however, in order to complete this summary of American direct investments in foreign countries.

## XI. SUMMARY

The table below presents a recapitulation of the data given in earlier sections of this appendix. Thus it summarizes the growth of American direct investments

from 1897 through 1935. In addition, figures are given for the American portfolio of foreign securities, with some adjustments to allow for foreign repatriations of such securities. In the first section of the table the figures are given by types of enterprises and by broad classes of security holdings. The second section gives direct investments by geographic location. The third shows the geo-

America's Foreign Investments, 1897–1935
(In millions of dollars)

I. DIRECT AND PORTFOLIO, BY CLASSES OF INVESTMENTS

| Classes | 1897 | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|---|
| Direct investments: | | | | | | | |
| Sales organizations.. | 56.5 | 83.5 | 169.5 | 243.0 | 301.0 | 362.0 | 325.0 |
| Purchasing ... | 5.0 | 5 0 | 9.0 | 11 5 | 12 5 | 16 1 | 20.0 |
| Banking... | 10.0 | 20.0 | 30.0 | 125.0 | 125.0 | 125.0 | 125.0 |
| Oil distribution. | 75 0 | 148.0 | 200 0 | 275.0 | 395.0 | 487.0 | 509.0 |
| Oil production . | 10.5 | 75.5 | 143.0 | 328.5 | 572.0 | 854.0 | 872.5 |
| Mining: | | | | | | | |
| Precious metals. | 88.0 | 193.6 | 232.7 | 219.0 | 232.5 | 262.3 | 259.3 |
| Industrial minerals | 46.0 | 251.0 | 487.0 | 657.3 | 734 0 | 964.5 | 958.8 |
| Agricultural enterprises. .... | 76 5 | 186 5 | 355 8 | 587.0 | 918 0 | 985.8 | 586.6 |
| Manufacturing . | 93 5 | 296 0 | 478.0 | 795.0 | 1,252.0 | 1,821.0 | 1,870.0 |
| Railways . . | 143 4 | 161 4 | 255.1 | 297.3 | 347.0 | 308.7 | 260.5 |
| Public utilities.. | 22.1 | 85.0 | 133.2 | 137.9 | 223.7 | 1,025.2 | 1,088.0 |
| Miscellaneous | 8.0 | 133.0 | 159.0 | 203.0 | 276.0 | 341.7 | 344.5 |
| Total direct.. | 634 5 | 1,638.5 | 2,652 3 | 3,879.5 | 5,388.7 | 7,553.3 | 7,219 2 |
| Portfolio: | | | | | | | |
| Pre-war privately taken[a] ..... .. | 50.0 | 85.0 | 100.0 | — | — | — | — |
| Dollar loans.... . | — | 429.9 | 417.8 | 2,324.1 | 4,354.4 | 7,339.8 | 6,337.9 |
| Foreign currency loans[b]... ...... | — | 442.8 | 399.0 | 391.6 | 319.6 | 358.2 | 242.3 |
| Foreign shares[b]. | — | 111.6 | 127.7 | 147.4 | 194.9 | 445.3 | 445.3 |
| Total.... . . . | 50.0 | 1,069.3 | 1,044.5 | 2,863.1 | 4,868.9 | 8,143.3 | 7,025.5 |
| Less repatriations and repudiations[c] | — | 183.0 | 183.0 | 287.0 | 304.0 | 304.0 | 1,404.0 |
| Net portfolio.. . | 50.0 | 886.3 | 861.5 | 2,576.1 | 4,564 9 | 7,839.3 | 5,621.5 |
| Short-term credits | — | — | — | 500.0 | 800.0 | 1,617.0 | 853.0 |
| All foreign investments | 684.5 | 2,521.8 | 3,513.8 | 6,955.6 | 10,753.6 | 17,009.6 | 13,693.7 |

[a] Including market purchases abroad Figures published by the Department of Commerce indicate that by 1924 post-war market purchases amounted to 155 million dollars, but they do not show residual value, with allowance made for currency depreciation. *Trade Information Bulletin No.* 767, p 5.

[b] Including foreign currency securities publicly offered in the United States in large blocks after the war—with outstanding amounts at the close of each period calculated at average rates of exchange for the year

[c] Loans repudiated by Russia after the 1917 revolution amounted to 104 million dollars. By 1929, according to *Trade Information Bulletin No.* 767, p 5, post-war repatriations through market transactions amounted to a net total of 184 million dollars—including repatriations of foreign currency issues. Repatriated dollar loans in 1935 are entered at 1 1 billion dollars—as estimated by the Department of Commerce.

II. DIRECT INVESTMENTS, BY GEOGRAPHIC AREAS

| Areas | 1897 | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|---|
| Europe | 131.0 | 369.3 | 573.3 | 693.5 | 921.3 | 1,340.3 | 1,369.6 |
| Canada and Newfoundland | 159.7 | 405.4 | 618.4 | 814.3 | 1,080.5 | 1,657.4 | 1,692.4 |
| Cuba and other West Indies | 49.0 | 195.5 | 281.3 | 567.3 | 993.2 | 1,025.5 | 731.3 |
| Mexico | 200.2 | 416.4 | 587.1 | 643 6 | 735.4 | 709.2 | 651.7 |
| Central America | 21.2 | 37.9 | 89.6 | 112.5 | 143.5 | 250.9 | 160.0 |
| South America | 37.9 | 104.3 | 323.1 | 664.6 | 947.1 | 1,719.7 | 1,718.2 |
| Africa | 1.0 | 5.0 | 13 0 | 31.0 | 58.5 | 117.0 | 123.6 |
| Asia | 23.0 | 74.7 | 119 5 | 174.7 | 267.2 | 446.5 | 487.6 |
| Oceania | 1.5 | 10.0 | 17 0 | 53.0 | 117.0 | 161.8 | 159.8 |
| Banking | 10.0 | 20.0 | 30.0 | 125.0 | 125.0 | 125.0 | 125.0 |
| Total direct | 634.5 | 1,638.5 | 2,652.3 | 3,879.5 | 5,388.7 | 7,553.3 | 7,219.2 |

III. DIRECT AND PORTFOLIO, BY GEOGRAPHIC AREAS[d]

| Areas | 1897 | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|---|
| Europe | 151.0 | 489.2 | 691.8 | 1,986.8 | 2,652.8 | 4,600.5 | 3,026.0 |
| Canada and Newfoundland | 189.7 | 697.2 | 867.2 | 1,542.8 | 2,631.7 | 3,660.2 | 3,657.6 |
| Cuba and other West Indies | 49.0 | 225.5 | 336 3 | 606.2 | 1,101.3 | 1,153.9 | 871.7 |
| Mexico | 200.2 | 672.0 | 853.5 | 908.9 | 1,005.1 | 975.2 | 912.9 |
| Central America | 21.2 | 41.0 | 93.2 | 114 8 | 155.3 | 286.3 | 192.0 |
| South America | 37.9 | 129.7 | 365.7 | 776.2 | 1,411.2 | 3,013.8 | 2,574.4 |
| Africa | 1.0 | 5.0 | 13.2 | 31.2 | 58.7 | 119.2 | 125.8 |
| Asia | 23.0 | 235.2 | 245.9 | 309.5 | 671.8 | 1,040.4 | 915.3 |
| Oceania | 1.5 | 10.0 | 17.0 | 54.2 | 140.7 | 403.0 | 413.1 |
| International, including banking | 10.0 | 20.0 | 30.0 | 125.0 | 125.0 | 140.1 | 151.9 |
| Total, long-term | 684 5 | 2,524.8 | 3,513.8 | 6,455.6 | 9,953.6 | 15,392.6 | 12,840.7 |
| Short-term credits | — | — | — | 500.0 | 800.0 | 1,617.0 | 853.0 |
| All foreign investments | 684.5 | 2,524.8 | 3,513.8 | 6,955 6 | 10,753.6 | 17,009.6 | 13,693.7 |

[d] Figures for the portfolio investments, here and in the first section of the table, are from App. E, Table 5, with deductions made for repatriations and repudiations They do not include debts payable to the United States government.

graphic distribution of direct and portfolio investments combined.

The estimates given in this table are minimum figures, for many direct investments probably have been omitted and market purchases have been excluded from the war and post-war portfolio totals. For 1935, the totals of 7.2 billions for direct investments and 5.6 billions for the portfolio compare with Department of Commerce figures of 7.8 billions and 4.8 billions respectively.[37]

[37] *The Balance of International Payments of the United States in 1935*, p. 32.

Better figures concerning the direct investments will be available when the Department of Commerce publishes results of the investigation now in progress. The discrepancy between the two portfolio figures is explained by the fact that our figures include pre-war loans not yet liquidated, whereas the Department of Commerce specifically excludes most Chinese, Mexican, and Russian pre-war loans.

## XII. EARLY ESTIMATES

In the pre-war period a number of estimates were published covering American investments abroad, though less consideration was given to this side of the international balance sheet than to the liabilities items. Reference is made below to the more inclusive of these, and to some studies showing the investment in particular countries. In the post-war period the Department of Commerce has given special attention to the "assets" data presented in the bulletin *America's Direct Investments in Foreign Countries*. In some cases, as indicated on various pages above, we have made changes in the details of the estimates thus provided. In general, however, that investigation furnishes basic data for studies of the question in hand.

### A. Bacon's Estimate for 1899

Nathaniel T. Bacon's article on "American International Indebtedness" in the *Yale Review*, November 1900, pages 265-85, contains a brief discussion and summary of the investments items, as well as the foreign liabilities. These are given below.

America's Foreign Investments, January 1, 1899

| | Millions of Dollars |
|---|---|
| Europe (some investment in English consols, London Underground Railroad securities, and Swiss bonds) .... | 10 |

America's Foreign Investments, January 1, 1899—*Continued*

| | | Millions of Dollars |
|---|---|---|
| Canada: | | |
| Canada Southern stocks and bonds and a few other railroad securities such as the Kingston and Pembroke Railroad | 25 | |
| Mining and smelting | 100 | |
| Timber lands, and loans | 25 | 150 |
| Mexico: | | |
| Railways | 90 | |
| Mines and smelters | 75 | |
| Banking and commercial enterprises | 10 | |
| Coffee and tobacco plantations, and factories | 10 | 185 |
| Cuba | | 50 |
| Other West Indies (including Porto Rico) | | 10 |
| South America: | | |
| Pacific coast ports | 5 | |
| Buenos Aires and dependent country | 3 | |
| Brazil | 12.5 | |
| Dutch Guiana | 1 | |
| British Guiana | 2.5 | |
| Venezuela | 8 | |
| Colombia (including Panama) | 3 | 35 |
| Central America | | 11 |
| Pacific Islands, China, Japan | | 5 |
| Total excluding life insurance guarantee holdings[a] | | 456 |

[a] The investments held abroad by life insurance companies, against foreign policies, was put at 45 million dollars.

## B. Speare's Estimate for 1909

Charles F. Speare, in a study based largely on consular reports, estimated American investments abroad in 1909 at roughly 1,965 million dollars, distributed as follows:[38]

America's Foreign Investments, 1909

| | Millions of Dollars |
|---|---|
| Europe | 350 |
| Canada | 500 |

[38] *North American Review*, July 1909, pp. 84, 87-89.

AMERICA'S FOREIGN INVESTMENTS, 1909—*Continued*

| | | | Millions of Dollars |
|---|---|---|---|
| Cuba, in government bonds, telegraph and telephone systems, railways, sugar, tobacco, and cattle | | | 125 |
| Dominican Republic | | | 15 |
| Mexico, 600 to 700 million dollars,[a] or, say | | | 650 |
| Central America, largely in Costa Rica | | | 50 |
| South America: | | | |
| Argentina | | 10 | |
| Bolivia, railway loan | | 10 | |
| Brazil: | | | |
| Utilities | 25 | | |
| Coffee loan | 15 | 40 | |
| Chile, nitrate | | 12 | |
| Colombia | | 5 | |
| Ecuador | | 10 | |
| Peru, railways | | 10 | |
| Others | | 3 | 100 |
| China and Japan, largely in war loans to the Japanese government | | | 100 |
| Philippine Islands, mainly in railways, public utilities, and government obligations | | | 75 |
| Total[b] | | | 1,965 |

[a] Speare indicates that about two-thirds of the Mexican investment is in mines.

[b] This total excludes investments in Porto Rico, which Speare put at 10 to 15 million dollars; and investments in the Congo, which he mentions but does not evaluate.

## C. Osborne's Estimate for the End of 1911

Less than three years after Speare's article was published, an estimate by John Ball Osborne placed the total American investment abroad at 1,902.5 million dollars, or 62.5 millions below Speare's.[39] This represented a sort of composite estimate of "the best authorities," according to Osborne's statement, rather than a detailed study of the question. The geographic placement of this total was as follows:

[39] The same, May 1912, pp. 687-700.

AMERICA'S FOREIGN INVESTMENTS, 1911

| | | Millions of Dollars |
|---|---|---|
| Europe | | 200 |
| Canada | | 400 |
| Cuba | | 220 |
| Haiti and Dominican Republic | | 7.5 |
| Mexico | | 800 |
| Central America: | | |
| Costa Rica | 7 | |
| Guatemala | 20 | |
| Honduras | 3 | |
| Nicaragua | 2.5 | |
| Panama | 5 | |
| Salvador | 2.5 | 40 |
| South America: | | |
| Argentina | 40 | |
| Bolivia | 10 | |
| Brazil | 50 | |
| Chile | 15 | |
| Colombia | 2 | |
| Ecuador | 10 | |
| British and Dutch Guianas | 5 | |
| Peru | 35 | |
| Uruguay | 5 | |
| Venezuela | 3 | 175 |
| Near East | | 10 |
| Far East and all other regions | | 50 |
| Total | | 1,902.5 |

## D. Canadian Estimates

Detailed estimates of American investments in Canada have been compiled for certain pre-war years and for 1932.

Fred W. Field estimated the total American investment in Canada in 1913 at 636.9 million dollars or, excluding American life insurance company guarantee holdings, at 569.1 million dollars. The latter figure compares with his estimate of 279.1 million dollars for

1909 and 373.9 million dollars for 1911. The figures for 1909 and 1913 are given in more detail below.

American Investments in Canada, 1909 and 1913
(In millions of dollars)

| Type of Investment | 1909[a] | 1913[b] |
|---|---|---|
| Branch companies | 105.0 | 135.0 |
| Theatrical enterprises | — | 3.5 |
| Packing plants | 5.0 | 6.8 |
| Agricultural implements distributing houses | 6.6 | 9.3 |
| British Columbia lumber and paper mills and timber | 58.0 | 71.0 |
| British Columbia mines | 50.0 | 62.0 |
| Land deals, British Columbia | 4.5 | 60.0 |
| Land deals in prairie provinces | 20.0 | 41.0 |
| Lumber and mines in prairie provinces | 5.0 | 10.5 |
| Miscellaneous industrial investments | — | 12.2 |
| City and town property | — | 20.0 |
| Investments in maritime provinces | — | 13.1 |
| Fox farm investments, Prince Edward Island | — | 1.0 |
| Purchases of government, municipal, and corporation bonds since 1905 | 25.0 | 123.7 |
| Total (excluding life insurance guarantee holdings) | 279.1 | 569.1 |

[a] Quoted from the *Monetary Times* by *Weekly Consular and Trade Reports No. 72*, July-September 1910, p. 940.
[b] Fred W. Field, *Capital Investments in Canada* (1914), p. 25; (1911), p. 24

A census taken by the Dominion Bureau of Statistics gives a total of 2,167 million dollars for the investment in Canada of American-controlled and affiliated companies in 1932.[40] Marshall, Southard, and Taylor, after a detailed comparison of the results of this investigation and the Department of Commerce figures for 1929, concluded that the results of the two surveys were reasonably harmonious. On the basis of this comparison they also arrived at the tentative conclusion that the valuations at which foreign subsidiaries are carried on the books of most of the reporting companies "fairly reflects the investment."

The Dominion Bureau's results are given on page 612.

[40] Marshall, Southard, and Taylor, *Canadian-American Industry*, p. 24.

American Investments in Canada, 1932

| Type of Investment | Number of Firms | Capital Employed (Millions of dollars) |
|---|---|---|
| Wood and paper manufacturing | 115 | 287.6 |
| Other manufacturing companies | 690 | 545.7 |
| Mining companies | 49 | 236.6 |
| Utility companies | 81 | 707.7 |
| Merchandising companies (1930 data) | 257 | 291.7 |
| Miscellaneous, including hotels, theaters, construction, advertising, fishing, dyeing and finishing and other services (1930 data) | 39 | 37.9 |
| Estimates for direct investments in agricultural lands, timber-lands, summer homes, insurance buildings, etc. | . | 60.0 |
| Total | | 2,167.2 |

Of the total, 22.3 per cent, or 483.2 million dollars, represented non-American minority interests, chiefly Canadian, leaving American holdings in the companies enumerated at 1,684 million dollars. The latter figure understates the case, however, for it excludes American minority equity interests in Canadian companies, a type of investment not included with portfolio holdings as they are usually compiled. It also excludes American companies still in Canada but not operating in 1932.

## E. Estimates for Mexico

Two pre-war estimates were made showing in detail American investments in Mexico. One of these was made under date of October 29, 1902, by Andrew D. Barlow, Consul-General to Mexico. The other, showing the situation in 1911, was made by William H. Seamon, an American mining engineer who had spent many years in Mexico.

Barlow's estimate for 1902 was based on reports from American consuls throughout Mexico, and was made in response to a request which the State Department sent

out for such material the year before.[41] His data show a total of 503 million dollars classified as follows:

BARLOW'S ESTIMATE OF AMERICAN INVESTMENTS IN MEXICO, 1902

| Type of Investment | Number of Companies, Firms, or Individuals | | Millions of Dollars | |
|---|---|---|---|---|
| Railroads and public utilities: | | | | |
| Railroads, street and steam, navigation | 33 | | 335.2 | |
| Other utilities | 15 | 48 | 6.0 | 341.2 |
| Mining: | | | | |
| Mines and smelters | 293 | | 95.1 | |
| Assay offices, ore buyers, testers, etc. | 17 | 310 | 6.9 | 102.0 |
| Real estate: | | | | |
| Haciendas, ranches, farms | 214 | | 28.1 | |
| Real estate owners, dealers, building and loan companies, colonization | 23 | 237 | 2.9 | 31.0 |
| Manufacturing | | 98 | | 10.2 |
| Banks and trust companies | | 9 | | 7.2 |
| Wholesale and retail trade | | 71 | | 1.8 |
| Brokers and commission men | | 57 | | 1.5 |
| Selling agencies | | 16 | | 0.9 |
| Importers and exporters | | 13 | | 0.6 |
| Lumber and sawmills | | 25 | | 1.6 |
| Miscellaneous | | 59 | | 5.0 |
| Total[a] | | 943 | | 503.0 |

[a] This excludes 172 individuals or firms (assets 4.6 million dollars) who apparently had become permanent residents of Mexico.

Seamon's estimate, which appears to be for the year 1911, is part of a larger estimate that he made classifying the national wealth of Mexico according to the nationality of its ownership. His sources of information were reports of the government and of various states; directory of business houses, factories, etc.; directory of mines and smelters; *La Mexique; Mexican Yearbook;*

[41] *Commercial Relations*, 1902, Vol. I, pp. 433-503, summarized on p. 500.

SEAMON'S ESTIMATE OF AMERICAN INVESTMENTS IN MEXICO, 1911

| | Millions of Dollars | |
|---|---|---|
| Government bonds | | 52.0 |
| Railways and public utilities: | | |
| Rail stocks | 235.4 | |
| Rail bonds | 408.9 | |
| Utilities | 0.8 | 645.1 |
| Mining: | | |
| Mines | 223.0 | |
| Smelters | 26.5 | 249.5 |
| Real estate: | | |
| Timber-lands | 8.1 | |
| Ranches | 3.1 | |
| Farms | 1.0 | 12.2 |
| Livestock | | 9.0 |
| Manufacturing: | | |
| Soap factories | 1.2 | |
| Breweries | 0.6 | |
| Other factories | 9.6 | 11.4 |
| Banks: | | |
| Stocks | 7.9 | |
| Deposits | 22.7 | 30.6 |
| Stores: | | |
| Wholesale | 2.7 | |
| Retail | 1.8 | 4.5 |
| Oil business | | 15.0 |
| Rubber industry | | 15.0 |
| Theaters and hotels | | 0.3 |
| Total[a] | | 1,044.6 |

[a] This excludes 13.3 million dollars given by Seamon for the following items: houses, and personal, professional, insurance, and institutions.

and numerous reviews, encyclopedias, company reports, etc.[42]

[42] Marion Letcher, consul at Chihuahua, sent a copy of Seamon's report to the State Dept. under date of July 2, 1912. It is published in *Daily Consular Trade Reports No. 155*, p. 316, and reproduced in S. rep. 645, 66 Cong. 2 sess. (1920), p. 16.

## F. Estimates for Cuba

American investments in Cuba in 1896 were estimated by Secretary of State Olney at not less than 50 million dollars.[43] This estimate was itemized as follows:

| | |
|---|---|
| In the sugar and tobacco-growing and stock-raising districts: | |
| District of Cienfuegos, "actual property" | $12,000,000 |
| Province of Matanzas, "actual property" | 9,000,000 |
| Sagua, estates and crops alone | 9,299,000 |
| Mining: | |
| Santiago | 15,000,000 |
| In four districts | $45,229,000 |

In addition there were tobacco estates in Pinar del Rio, various commercial and manufacturing establishments, railway enterprises, and the like that Mr. Olney believed would raise the total to 50 million dollars.

Two later pre-war estimates are quoted by Jenks, who also presents one of his own for 1927. These are given on page 616, with footnotes summarizing Jenks' comments.[44]

In this section summaries have been given of important investigations with regard to American investments abroad. For the most part, these present the results of pre-war studies, but two post-war investigations are also included. We have not summarized any of the studies made by the Department of Commerce—notably the one published in the bulletin entitled "America's Direct Investments in Foreign Countries" (*Trade Information Bulletin No. 731*), to which we have made frequent reference. However, this bulletin is so well known and so readily obtainable that readers will proba-

[43] Cited by Leland H. Jenks, *Our Cuban Colony* (1928), pp. 36-37, from the annual report of the Secretary, published in U. S. Dept. of State, *Foreign Relations*, 1896, p. lxxxv.

[44] The same, pp. 162-65, 299-300.

American Investments in Cuba, 1906, 1911, and 1927[a]
(In millions of dollars)

| Type of Investment | 1906 | 1906 | 1911 | 1927 | 1927 |
|---|---|---|---|---|---|
| Sugar industry | | 30 | 65 | | 600 |
| Tobacco industry[b] | | 30 | — | | 20 |
| Agriculture: | | | | | |
| Fruit and fruit lands | 6 | | | | |
| Cattle[c] | 30 | 36 | 10 | | 25 |
| Railway equity[d] | | 24 | 25 | | 120 |
| Mining[e] | 3 | | | 50 | |
| Mercantile | ... | | | 30 | |
| Manufacture | ... | 3 | 25 | 15 | 95 |
| Shipping | | 1 | 5 | | — |
| Banking | | 4 | 5 | | — |
| Mortgages and credits[f] | | 2.5 | 20 | | — |
| Public utilities: | | | | | |
| Electric railways | 15 | | | | |
| Telephones | 2.5 | 17.5 | 20 | | 115 |
| Real estate and unimproved lands | | 11.5 | — | | 50 |
| Hotels and amusements | | — | — | | 15 |
| Government debt | | 37.0 | 30 | | 100 |
| Total | | 196.5 | 205 | | 1,140 |

[a] The estimate for 1906 is by Atherton Brownell (*Appleton's Magazine*, October 1906); for 1911, by Consul-General J. L. Rodgers (*Cuba Review*, July 1911); and for 1927, by Jenks, *Our Cuban Colony*, pp. 299–300.
[b] Jenks says the 30 million estimate for 1906 is too low. It includes both factories and plantations.
[c] Represents 300,000 cattle at $100 a head, "an obvious exaggeration."
[d] The 1927 figure is explicitly for "public" railways.
[e] Jenks suggests that the 1906 figure for mining should be at least 15 millions.
[f] The 1906 figure is for mortgages alone.

bly prefer to use it in its original form. A few other studies of interest have been omitted for the reason that they refer to relatively small segments of the direct investment total.

# APPENDIX E

## STATISTICAL TABLES

The six tables that make up this appendix furnish a large part of the basic data for Chapters XVI-XIX. In general they provide an analysis of American portfolio investments in the post-war period, while Table 5 also gives comparative data for 1908 and 1914.

The list of securities covered by this analysis is considered in Appendix F. As indicated there, it includes all foreign securities issued and taken in the United States during the 21-year period 1915-35, not only publicly issued bonds and shares but also those privately taken—in so far as the latter could be identified. It excludes the portions of such issue that were sold in foreign markets, and also excludes all securities of American-controlled enterprises. That is, it excludes the bonds and shares of American-controlled companies, even though their entire investment is placed outside the United States—such securities being classified with American direct investments, and not with the portfolio of foreign securities.

For the greater part of the loans issued during the 15 years 1915-29, issue prices and prices to bankers were compiled from various sources. The average prices and interest rates presented in Tables 3 and 4 are thus computed figures. In the few cases where an average was based on less than a 75 per cent sample of the data represented, the fact is indicated by the use of parentheses.

Table 6 shows the status at the close of 1935 of the portion of the American foreign dollar loans originally taken in the United States. This table shows, by countries and by classes of borrowers, the aggregate value of the loans issued in all markets, and the portion of each that was taken in the United States. It also shows the

amounts still outstanding at the close of 1935 and the amounts in default at that time.

For the data with regard to defaults and the amounts of the dollar loans outstanding in 1935, we are greatly indebted to the Institute of International Finance, whose list of loans and default data were made available to us in New York. In fact, we were almost entirely dependent on them for information with regard to defaults. The data given in Table 6 of this appendix differs somewhat from those published by the Institute,[1] however, the points of difference being as follows: the figures given in Table 6 include only the portions of the dollar loans taken in the United States, the period covered being 1897-1935;[2] they exclude all American corporate securities, and all issues of foreign corporations in which there is a minority American interest of the "direct investment" type; and they include privately taken loans in so far as these could be identified. The figures published by the Institute of International Finance include the foreign portions of the dollar loans as well as the part taken in the United States; they include many loans issued by American corporations, particularly by those operating in Canada, Cuba, and other Latin American countries, and also some "direct investments" in foreign-controlled corporations; they exclude most of the loans issued prior to 1920 and later than 1930; and exclude privately taken issues.

For the purposes of this appendix, short-term loans are defined as loans whose duration is five years or less. All others are classified as long term.

[1] *Bulletin No. 70* (May 14, 1934), *Bulletin No. 85* (Apr. 6, 1936); John T. Madden, Marcus Nadler, and Harry C. Sauvain, *America's Experience as a Creditor Nation* (1937). Data for 1936 are published by the Institute in *Bulletin No. 93* (July 6, 1937).

[2] Reference to Table 5 gives a rough indication of the importance of the pre-war loans in the total.

## 1. Aggregate and Net New Dollar Loans[a] by Borrowing Countries and Calendar Years, 1915–35

With Totals Outstanding at the End of 1914 and 1935[b]

(Short and long-term portfolio loans in millions of dollars)

AUSTRIA

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| 1923 | — | 25.0 | — | 24.4 |
| 1924 | — | 3.0 | — | 2.3 |
| 1925 | — | 15.5 | — | 14.6 |
| 1926 | — | 6.0 | — | 4.9 |
| 1927 | — | 29.0 | — | 27.5 |
| 1928 | 3.5 | — | 3.5 | −2.1 |
| 1929 | — | — | — | −2.8 |
| 1930 | — | 25.0 | −3.5 | 19.8 |
| 1931 | — | — | — | −5.2 |
| 1932 | — | — | — | −5.1 |
| 1933 | — | — | — | −5.1 |
| 1934 | — | — | — | −5.2 |
| 1935 | — | — | — | −11.2 |
| End of 1935 | 3.5 | 103.5 | — | 56.8 |

BELGIUM

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| 1919 | 21.6 | — | 11.6 | — |
| 1920 | 33.3 | 60.0 | 21.7 | 60.0 |
| 1921 | 4.4 | 30.0 | −6.1 | 26.1 |
| 1922 | — | — | — | −3.9 |
| 1923 | — | — | — | −3.9 |
| 1924 | — | 90.0 | — | 75.7 |
| 1925 | — | 50.0 | −27.2 | 43.1 |
| 1926 | 1.5 | 50.0 | — | 41.6 |
| 1927 | — | — | — | −18 5 |
| 1928 | — | 8.0 | — | −0.7 |
| 1929 | — | — | — | −8.9 |
| 1930 | — | — | — | −33.3 |
| 1931 | — | — | — | −16.2 |
| 1932 | — | — | — | −2.4 |
| 1933 | — | — | — | −2.3 |
| 1934 | — | — | — | −2.4 |
| 1935 | — | — | — | −2.3 |
| End of 1935 | 60.8 | 288.0 | — | 151.7 |

BULGARIA

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| 1926 | — | 4.5 | — | 4.5 |
| 1928 | — | 9.0 | — | 9.0 |
| 1929 | — | — | — | −0.1 |
| 1930 | — | — | — | −0.5 |
| End of 1935 | — | 13.5 | — | 12.9 |

CZECHOSLOVAKIA

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| 1922 | — | 21.5 | — | 21.5 |
| 1923 | — | — | — | −0.8 |
| 1924 | — | 10.8 | — | 10.4 |
| 1925 | — | 25.5 | — | 23.9 |
| 1926 | — | — | — | −1.5 |
| 1927 | — | 1.5 | — | −0.1 |
| 1928 | — | — | — | −21.5 |
| 1929 | — | — | — | −0.5 |
| 1930 | — | — | — | −0.5 |
| 1931 | — | — | — | −0.3 |
| 1932 | — | — | — | −0.2 |
| 1933 | — | — | — | −0.3 |
| 1934 | — | — | — | −0.2 |
| 1935 | — | — | — | −0.7 |
| End of 1935 | — | 59.3 | — | 29.2 |

DANZIG

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| 1927 | — | 3.0 | — | 3.0 |
| 1931 | — | — | — | −0.1 |
| 1932 | — | — | — | −0.1 |
| 1934 | — | — | — | −0.1 |
| 1935 | — | — | — | −0.1 |
| End of 1935 | — | 3.0 | — | 2.6 |

[a] Under "total face" are included the aggregate face values of foreign dollar loans issued in the U. S., exclusive of the amounts taken in foreign countries. Private loans, as well as loans publicly issued, are included in so far as these could be identified. "Net face" values are total face values less the estimated amounts retired annually.

[b] Figures for the end of 1914 show the aggregate face value of foreign dollar loans outstanding at Dec. 31, 1914.

### Aggregate and Net New Dollar Loans—*Continued*

#### DENMARK

| Year | Total Face Short Term | Total Face Long Term | Net Face Short Term | Net Face Long Term |
|---|---|---|---|---|
| 1919 | — | 15.0 | — | 15.0 |
| 1920 | — | 25.0 | — | 25.0 |
| 1921 | — | 45.0 | — | 45.0 |
| 1922 | — | 5 0 | — | 4.6 |
| 1923 | — | — | — | −0.4 |
| 1924 | — | — | — | −0.4 |
| 1925 | — | 42.5 | — | 13.5 |
| 1926 | — | — | — | −1.7 |
| 1927 | — | 24.0 | — | 17.1 |
| 1928 | — | 61.5 | — | 47.3 |
| 1929 | — | 3.6 | — | −0.4 |
| 1930 | — | — | — | −4.0 |
| 1931 | — | — | — | −13.7 |
| 1932 | — | — | — | −3.3 |
| 1933 | — | — | — | −3.3 |
| 1934 | — | — | — | −3.3 |
| 1935 | — | — | — | −2.6 |
| End of 1935 | — | 221.6 | — | 134.4 |

#### ESTONIA

| Year | Total Face Short Term | Total Face Long Term | Net Face Short Term | Net Face Long Term |
|---|---|---|---|---|
| 1927 | — | 4.0 | — | 4.0 |
| 1928 | — | — | — | −0.1 |
| 1929 | — | — | — | −0.1 |
| 1935 | — | — | — | −0.1 |
| End of 1935 | — | 4.0 | — | 3.7 |

#### FINLAND

| Year | Total Face Short Term | Total Face Long Term | Net Face Short Term | Net Face Long Term |
|---|---|---|---|---|
| 1923 | — | 10.0 | — | 10.0 |
| 1924 | — | 19.0 | — | 19.0 |
| 1925 | — | 10.0 | — | 9.1 |
| 1926 | — | 12.0 | — | 11.1 |
| 1927 | — | — | — | −1.1 |
| 1928 | — | 18.0 | — | 16.7 |
| 1929 | — | — | — | −1.6 |
| 1930 | 5.0 | 8.0 | — | 5.8 |
| 1931 | — | — | — | −2.1 |
| 1932 | — | — | — | −2.2 |
| 1933 | — | — | — | −2.1 |
| 1934 | — | 5.0 | — | −2.9 |
| 1935 | — | — | — | −27.6 |
| End of 1935 | 5.0 | 82.0 | — | 32.1 |

#### FRANCE

| Year | Total Face Short Term | Total Face Long Term | Net Face Short Term | Net Face Long Term |
|---|---|---|---|---|
| End of 1914 | 10.0 | — | 10.0 | — |
| 1915 | 300.0 | — | 290.0 | — |
| 1916 | 236.0 | — | 186.0 | — |
| 1917 | 109.2 | — | 96.8 | — |
| 1918 | — | — | −53.3 | — |
| 1919 | — | 24.3 | −219.6 | 24.3 |
| 1920 | — | 100.0 | −259.9 | 98.9 |
| 1921 | — | 122.8 | −50.0 | 112.9 |
| 1922 | — | 81.0 | — | 71.1 |
| 1923 | — | — | — | −13.8 |
| 1924 | 2.2 | 154.8 | 2.2 | 141.0 |
| 1925 | — | 18.7 | −2.2 | −0.1 |
| 1926 | — | — | — | −9.7 |
| 1927 | 1.0 | 2.8 | 1.0 | −6.3 |
| 1928 | — | 10.8 | — | −80.3 |
| 1929 | — | — | — | −4.4 |
| 1930 | — | — | −1.0 | −33.3 |
| 1931 | — | — | — | −5.4 |
| 1932 | — | — | — | −87.9 |
| 1933 | — | — | — | −4.6 |
| 1934 | — | — | — | −49.3 |
| 1935 | — | — | — | −4.6 |
| End of 1935 | 658.4 | 515.2 | — | 148.5 |

#### GERMANY

| Year | Total Face Short Term | Total Face Long Term | Net Face Short Term | Net Face Long Term |
|---|---|---|---|---|
| 1915 | 10.0 | — | 10.0 | — |
| 1916 | 10.0 | — | — | — |
| 1917 | — | — | −2.5 | — |
| 1918 | — | — | −7.5 | — |
| 1924 | 14.0 | 110.0 | 14.0 | 107.9 |
| 1925 | 21.9 | 202.4 | 16.2 | 198.0 |
| 1926 | 26.2 | 255.7 | 5.9 | 243.2 |
| 1927 | 71.8 | 181.3 | 40.8 | 165.0 |
| 1928 | 4.0 | 250.4 | −33.0 | 213.0 |
| 1929 | 0.6 | 37.0 | −16.7 | 10.1 |
| 1930 | 17.4 | 149.4 | 4.4 | 96.0 |
| 1931 | 7.5 | — | −2.1 | −55.7 |
| 1932 | 14.5 | — | −2.2 | −55.6 |
| 1933 | — | — | −3.6 | −55.7 |
| 1934 | — | — | −2.8 | −53.4 |
| 1935 | — | — | −2.6 | −57.4 |
| End of 1935 | 197.9 | 1186.2 | 18.3 | 755.4 |

## Aggregate and Net New Dollar Loans—*Continued*

### GREAT BRITAIN

| Year | Total Face: Short Term[c] | Total Face: Long Term | Net Face: Short Term[c] | Net Face: Long Term |
|---|---|---|---|---|
| 1915 | 250 0 | — | 250.0 | — |
| 1916 | 556 4 | — | 556.4 | — |
| 1917 | 374.0 | — | 338 6 | — |
| 1918 | — | 55.0 | −451.6 | 55.0 |
| 1919 | — | 338 0 | −308.9 | 338.0 |
| 1920 | 15.0 | — | −258.0 | — |
| 1921 | — | — | −111.5 | — |
| 1922 | — | — | −2 5 | −101.6 |
| 1923 | — | — | −2 5 | — |
| 1924 | — | — | −2.5 | — |
| 1925 | 15.5 | — | 8 0 | — |
| 1926 | 6.0 | — | −2.0 | — |
| 1927 | 2.5 | — | −7 0 | — |
| 1928 | — | — | −2 0 | — |
| 1929 | — | — | −4.5 | −148.4 |
| 1931 | — | — | — | −41.0 |
| 1932 | — | — | — | −40.9 |
| 1933 | — | — | — | −41.0 |
| End of 1935 | 1219.4 | 393.0 | — | 20.1 |

### GREECE

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| 1924 | — | 6.0 | — | 6.0 |
| 1925 | 0.5 | 1.2 | 0.5 | 1.2 |
| 1926 | — | 1.3 | −0.1 | 1.2 |
| 1927 | — | 1.2 | −0.1 | 1.2 |
| 1928 | — | 16.3 | −0.1 | 16.3 |
| 1929 | — | — | −0.1 | −0.2 |
| 1930 | 7.5 | — | 7.4 | −0.7 |
| 1931 | — | — | — | −0.3 |
| 1932 | 7.5 | — | — | — |
| 1935 | — | — | −7.5 | — |
| End of 1935 | 15.5 | 26.0 | — | 24.7 |

### HUNGARY

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| 1924 | — | 9.0 | — | 9.0 |
| 1925 | — | 13.0 | — | 12.6 |
| 1926 | 4.0 | 9.0 | 2 0 | 8.3 |
| 1927 | 1.0 | 14.8 | −1.0 | 13.8 |
| 1928 | — | 19.3 | — | 17.9 |
| 1929 | — | — | −0.1 | −2.6 |
| 1930 | 5.0 | — | 4.8 | −2.6 |
| 1931 | — | — | −0.1 | −2.1 |
| 1932 | — | — | −0.2 | −1.5 |
| 1933 | — | — | −0.1 | −1.5 |
| 1934 | — | — | −0.2 | −1.5 |
| 1935 | — | — | −0.1 | −1.5 |
| End of 1935 | 10.0 | 65.1 | 5.0 | 48.3 |

### IRELAND

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| 1927 | — | 15.0 | — | 15.0 |
| 1928 | — | — | — | −4.9 |
| 1929 | — | — | — | −5.0 |
| 1930 | — | — | — | −0 5 |
| 1931 | — | — | — | −0 6 |
| 1932 | — | — | — | −0.5 |
| 1933 | — | — | — | −0.6 |
| 1934 | — | — | — | −0.5 |
| 1935 | — | — | — | −0 6 |
| End of 1935 | — | 15.0 | — | 1.8 |

### ITALY (including the Vatican)

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| 1915 | 25 0 | — | 25.0 | — |
| 1917 | — | — | −25.0 | — |
| 1920 | 11 3 | — | 11.3 | — |
| 1923 | 2.0 | — | 2.0 | — |
| 1924 | — | 4 0 | — | 4.0 |
| 1925 | — | 111.0 | −11.3 | 111.0 |
| 1926 | 1.5 | 38 2 | 1.5 | 37.5 |
| 1927 | — | 120.2 | — | 117.3 |
| 1928 | 4.0 | 52 4 | 0.5 | 44.0 |
| 1929 | — | 8 1 | −4.0 | 1.2 |
| 1930 | — | 10.0 | — | −6.3 |
| 1931 | — | — | — | −13 8 |
| 1932 | — | — | — | −13 8 |
| 1933 | — | — | — | −13.8 |
| 1934 | — | — | — | −13.9 |
| 1935 | — | — | — | −13.8 |
| End of 1935 | 43.8 | 343.9 | — | 239.6 |

### LUXEMBOURG

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| 1926 | — | 7.5 | — | 7.5 |
| 1927 | — | — | — | −0.1 |
| 1928 | — | — | — | −0.1 |
| 1929 | — | — | — | −0.2 |
| 1930 | — | — | — | −0.2 |
| 1931 | — | — | — | −0.2 |
| 1932 | — | — | — | −0.2 |
| 1933 | — | — | — | −0.2 |
| 1934 | — | — | — | −0.1 |
| 1935 | — | — | — | −0.2 |
| End of 1935 | — | 7.5 | — | 6.0 |

[c] Data for 1916–19 exclude the "demand loan" mentioned on p. 354, note 8; p. 355, note 10; p. 368, note 32.

AGGREGATE AND NET NEW DOLLAR LOANS—*Continued*

LITHUANIA

| Year | Total Face Short Term | Total Face Long Term | Net Face Short Term | Net Face Long Term |
|---|---|---|---|---|
| 1920 .. | — | 1.8 | — | 1.8 |
| End of 1935 . | — | 1.8 | — | 1.8 |

NETHERLANDS

| Year | Total Face Short Term | Total Face Long Term | Net Face Short Term | Net Face Long Term |
|---|---|---|---|---|
| 1942 . . | — | 46 0 | — | 46.0 |
| 1929 .. | — | — | — | −40.0 |
| 1930.... | — | 38.1 | — | 38.0 |
| 1931 . | — | — | — | −0.1 |
| 1932 . | — | — | — | −0.2 |
| 1933 . | — | — | — | −0.1 |
| 1934 .. | — | — | — | −0 2 |
| 1935. | — | — | — | −0.1 |
| End of 1935 . | — | 84.1 | — | 43.3 |

NORWAY

| Year | Total Face Short Term | Total Face Long Term | Net Face Short Term | Net Face Long Term |
|---|---|---|---|---|
| End of 1914... | 3.0 | — | 3.0 | — |
| 1916.... | — | 5.0 | −1.5 | 5.0 |
| 1917.... | — | — | −1.5 | — |
| 1920. . | — | 29.0 | — | 29.0 |
| 1921.. | — | — | — | −1.4 |
| 1922... | — | 18.0 | — | 16.6 |
| 1923... . | — | 20.0 | — | 13 6 |
| 1924.. . | 1.4 | 31.5 | 1.4 | 30.5 |
| 1925. . . | — | 38.0 | — | 19.6 |
| 1926... . | — | 4.0 | −1.4 | −0.1 |
| 1927. ... | — | 29.5 | — | 26.6 |
| 1928.. .. | — | 44.0 | — | 43.6 |
| 1929... | — | — | — | −2.3 |
| 1930..... | — | 9.1 | — | 2 6 |
| 1931... | — | — | — | −5.9 |
| 1932. . | — | — | — | −6.7 |
| 1933 . | — | — | — | −3.8 |
| 1934... . | — | — | — | −3.8 |
| 1935... . | — | — | — | −12.6 |
| End of 1935.... | 4.4 | 228.1 | — | 150.5 |

POLAND

| Year | Total Face Short Term | Total Face Long Term | Net Face Short Term | Net Face Long Term |
|---|---|---|---|---|
| 1920 . | — | 29.9 | — | 29.9 |
| 1923 . | — | — | — | −1.0 |
| 1924 . | — | 5.0 | — | 0.7 |
| 1925 . | — | 44 4 | — | 42.8 |
| 1926 . | — | 2.8 | — | 0.8 |
| 1927 | — | 47.0 | — | 45.3 |
| 1928 .. | — | 17.0 | — | 15.2 |
| 1929. | — | — | — | −2.0 |
| 1930 | — | — | — | −5.8 |
| 1931. . | — | — | — | −5.9 |
| 1932 . | — | — | — | −5.8 |
| 1933 . | — | — | — | −5.9 |
| 1934 . | — | — | — | −5.8 |
| 1935... | — | — | — | −5.9 |
| End of 1935. | — | 146.1 | — | 96.6 |

RUMANIA

| Year | Total Face Short Term | Total Face Long Term | Net Face Short Term | Net Face Long Term |
|---|---|---|---|---|
| 1920 . | — | 3.0 | — | 3.0 |
| 1922 | — | — | — | −0.3 |
| 1924 | — | — | — | −0.2 |
| 1925 . | — | — | — | −0.5 |
| 1926. | — | — | — | −0.9 |
| 1927. | — | — | — | −0.2 |
| 1928 . . | — | — | — | −0.4 |
| 1929 | — | 10.0 | — | 9.2 |
| 1930. . | — | — | — | −0.1 |
| 1931 . | — | — | — | −0.2 |
| 1932 . | — | — | — | −0.1 |
| 1933 . . | — | — | — | −0.2 |
| End of 1935 .. | — | 13 0 | — | 9.1 |

RUSSIA

| Year | Total Face Short Term | Total Face Long Term | Net Face Short Term | Net Face Long Term |
|---|---|---|---|---|
| End of 1914 . | — | 29.0 | — | 29.0 |
| 1916 . | 75.0 | — | 75.0 | — |
| 1919 . . | 22.5 | — | 22.5 | — |
| 1920. . | — | — | −22.5 | — |
| End of 1935... | 97.5 | 29.0 | 75.0 | 29.0 |

## Aggregate and Net New Dollars Loans—*Continued*

### SWEDEN

| Year | Total Face | | Net Face | |
|---|---|---|---|---|
| | Short Term | Long Term | Short Term | Long Term |
| End of 1914 | 5.0 | — | 5.0 | — |
| 1916 | 5.0 | — | — | — |
| 1918 | — | — | −5.0 | — |
| 1919 | — | 20.0 | — | 20.0 |
| 1923 | — | 15.0 | — | 15.0 |
| 1924 | 10.0 | 30.0 | — | 15.0 |
| 1927 | — | 50.0 | — | 50.0 |
| 1928 | — | — | — | −0.6 |
| 1929 | — | 26.1 | — | 5.3 |
| 1930 | — | — | — | −0.8 |
| 1931 | — | 50.0 | — | 48.7 |
| 1934 | — | — | — | −30.0 |
| End of 1935 | 20.0 | 191.1 | — | 122.6 |

### YUGOSLAVIA

| Year | Total Face | | Net Face | |
|---|---|---|---|---|
| | Short Term | Long Term | Short Term | Long Term |
| 1922 | — | 15.3 | — | 15.2 |
| 1924 | 3.0 | — | 3.0 | — |
| 1925 | 6.0 | — | — | — |
| 1926 | 6.0 | — | — | — |
| 1927 | 3.0 | 35.2 | — | 35.2 |
| 1928 | 2.0 | — | −1.0 | −0.2 |
| 1929 | — | — | −2.0 | −0.2 |
| 1930 | — | — | — | −0.4 |
| 1931 | — | — | — | −0.5 |
| 1932 | — | — | — | −0.4 |
| 1933 | — | — | — | −0.4 |
| 1934 | — | — | — | −0.5 |
| 1935 | — | — | — | −0.4 |
| End of 1935 | 20.0 | 50.5 | — | 47.4 |

### SWITZERLAND

| Year | Total Face | | Net Face | |
|---|---|---|---|---|
| | Short Term | Long Term | Short Term | Long Term |
| 1915 | 15.0 | — | 15.0 | — |
| 1916 | — | — | −5.0 | — |
| 1918 | — | — | −5.0 | — |
| 1919 | — | 30.0 | — | 30.0 |
| 1920 | — | 37.0 | −5.0 | 37.0 |
| 1921 | — | — | — | −0.1 |
| 1922 | — | — | — | −0.1 |
| 1923 | 20.0 | — | 20.0 | −0.1 |
| 1924 | — | 30.0 | — | 28.8 |
| 1925 | — | — | — | −1.2 |
| 1926 | — | — | −20.0 | −6.4 |
| 1927 | — | — | — | −7.1 |
| 1928 | — | — | — | −1.1 |
| 1929 | — | — | — | −31.0 |
| 1930 | — | — | — | −3.8 |
| 1931 | — | — | — | −22.5 |
| 1932 | — | — | — | −3.9 |
| 1933 | — | — | — | −3.8 |
| 1934 | — | — | — | −14.7 |
| End of 1935 | 35.0 | 97.0 | — | — |

### ARGENTINA

| Year | Total Face | | Net Face | |
|---|---|---|---|---|
| | Short Term | Long Term | Short Term | Long Term |
| End of 1914 | 15.0 | — | 15.0 | — |
| 1915 | 30.0 | — | 25.0 | — |
| 1916 | 55.3 | — | 50.3 | — |
| 1917 | 26.2 | 18.8 | −60.3 | 18.4 |
| 1918 | 0.8 | — | 0.8 | −0.3 |
| 1919 | — | — | — | −0.4 |
| 1920 | — | 0.7 | −30.8 | 0.3 |
| 1921 | 63.0 | 5.2 | 63.0 | 4.8 |
| 1922 | 27.0 | 1.1 | 27.0 | 0.7 |
| 1923 | 55.0 | 0.1 | 5.0 | −0.2 |
| 1924 | 57.0 | 78.5 | −18.0 | 77.7 |
| 1925 | 31.0 | 90.8 | −31.0 | 89.1 |
| 1926 | 20.0 | 84.5 | 1.4 | 75.0 |
| 1927 | 2.6 | 106.3 | −44.7 | 86.8 |
| 1928 | 1.4 | 48.4 | −1.3 | 11.9 |
| 1929 | 1.5 | — | 0.2 | −6.7 |
| 1930 | 134.6 | 10.7 | 73.1 | 3.8 |
| 1931 | 23.9 | — | −10.7 | −7.1 |
| 1932 | — | — | — | −7.0 |
| 1933 | — | — | −36.0 | −7.1 |
| 1934 | 4.0 | — | −19.9 | −7.0 |
| 1935 | — | — | — | −7.1 |
| End of 1935 | 548.3 | 445.1 | 8.1 | 325.6 |

## Aggregate and Net New Dollar Loans—*Continued*

### BOLIVIA

| Yea | Total Face | | Net Face | |
|---|---|---|---|---|
| | Short Term | Long Term | Short Term | Long Term |
| 1915. | 1 0 | — | 1 0 | — |
| 1916 | — | — | −0 5 | — |
| 1917 | — | 2.4 | −0.5 | 2 4 |
| 1918 . | — | — | — | −0.1 |
| 1920 | — | — | — | −0 1 |
| 1921 . | — | 9 3 | — | 9.2 |
| 1922 | — | 25.0 | — | 19.8 |
| 1923.. | — | — | — | −0.7 |
| 1924. | — | 5.1 | — | 2 3 |
| 1925 . | — | — | — | −1.2 |
| 1926 . | — | — | — | −1 1 |
| 1927.. . | — | 12.3 | — | 11.2 |
| 1928.. . | — | 19.7 | — | 18.5 |
| 1929. | — | — | — | −2 1 |
| 1930.. | — | — | — | −0.6 |
| 1931 . | — | — | — | −0.6 |
| 1932. | — | — | — | −0.6 |
| 1933 | — | — | — | −0.6 |
| 1934. | — | — | — | −0.6 |
| 1935 . | — | — | — | −0.6 |
| End of 1935. | 1.0 | 73.8 | — | 54.5 |

### BRAZIL

| | | | | |
|---|---|---|---|---|
| End of 1914 . | — | 5.0 | — | 5.0 |
| 1916. | 7.5 | 5.5 | 7.5 | 5.5 |
| 1919... | 7.4 | 23 5 | −0.1 | 23.0 |
| 1920.... | — | — | — | −5.1 |
| 1921... . | — | 82.0 | — | 80.8 |
| 1922... | — | 54.5 | −7.4 | 35.5 |
| 1923... . | — | 2.0 | — | −3.0 |
| 1924.... | — | — | — | −4.9 |
| 1925 .... | — | 8.7 | — | 3.8 |
| 1926 . | — | 57.0 | — | 51.7 |
| 1927 . | — | 62.0 | — | 58.5 |
| 1928. | 1.8 | 76 7 | 1 8 | 58.4 |
| 1929.. . | — | 10.9 | — | 3.8 |
| 1930 . . | — | 30.0 | −0.2 | 27.0 |
| 1931 . | — | — | −0.2 | −5.3 |
| 1932 | — | — | −0.2 | −5.1 |
| 1933.. | — | — | — | −5.1 |
| 1934.... | — | — | — | −5.1 |
| 1935.. | — | — | — | −10.1 |
| End of 1935.... | 16.7 | 417.8 | 1.2 | 309.3 |

### CHILE

| Year | Total Face | | Net Face | |
|---|---|---|---|---|
| | Short Term | Long Term | Short Term | Long Term |
| 1915 | — | 0.5 | — | 0.5 |
| 1916 | 3 0 | — | 3 0 | — |
| 1918 | — | — | −3 0 | — |
| 1921 | 9.5 | 34 5 | 9.5 | 34.5 |
| 1922 | — | 18.0 | — | 16.0 |
| 1923 | — | — | −2.5 | −1.6 |
| 1924. | — | — | −2.4 | −1.9 |
| 1925 | — | 18 3 | −2.4 | 16.2 |
| 1926 | 20.0 | 55.2 | 17.8 | 52.8 |
| 1927. | 1.0 | 21 5 | −9.0 | 17.7 |
| 1928 | — | 79.9 | −1.0 | 53.3 |
| 1929. . | — | 42.4 | — | 38.8 |
| 1930... . | — | 21.4 | −0.3 | 18.0 |
| 1931. . | — | — | −0.3 | −3.2 |
| 1932 . | — | — | −0.3 | −3.2 |
| 1933 .. | — | — | −0.3 | −3.3 |
| 1934... | — | — | −0.3 | −3.2 |
| 1935. | — | — | −0.4 | −3.2 |
| End of 1935 .. | 33.5 | 291.7 | 8.1 | 228.2 |

### COLOMBIA

| | | | | |
|---|---|---|---|---|
| 1919.. | 0.6 | — | 0.6 | — |
| 1920 . | 3.1 | — | 3.1 | — |
| 1922 . | 5.0 | 1.8 | 3.8 | 1.8 |
| 1923 . | — | — | — | −0.2 |
| 1924 . | — | 9.0 | −3.8 | 8.8 |
| 1925 | — | 4 0 | −1.3 | 3.7 |
| 1926. . . | 10.0 | 33.5 | 8.8 | 31.9 |
| 1927... | 5.0 | 63.4 | −11.2 | 61.5 |
| 1928 . | — | 71.4 | — | 64.6 |
| 1929... . | — | 1.8 | — | −7.2 |
| 1930.. | — | 0.5 | — | −3.5 |
| 1931... . | — | — | — | −3.4 |
| 1932... | — | — | — | −3.4 |
| 1933.... | — | — | — | −3.4 |
| 1934... . | — | — | — | −3.4 |
| 1935... . | — | — | — | −3.5 |
| End of 1935..... | 23.7 | 185.4 | — | 144.3 |

Aggregate and Net New Dollar Loans—*Continued*

PERU

| Year | Total Face | | Net Face | |
|---|---|---|---|---|
| | Short Term | Long Term | Short Term | Long Term |
| End of 1914 | 2 0 | — | 2.0 | — |
| 1917 | — | — | −2.0 | — |
| 1922 | — | 2.5 | — | 2.5 |
| 1923 | — | — | — | −0.2 |
| 1924 | — | 7.0 | — | 6.7 |
| 1925 | — | 7.5 | — | 4 8 |
| 1926 | — | 19.7 | — | 18.6 |
| 1927 | — | 54.0 | — | 52.1 |
| 1928 | — | 20.5 | — | −8.0 |
| 1929 | — | 2.0 | — | 0.1 |
| 1930 | — | — | — | −0.8 |
| 1931 | — | — | — | −0.7 |
| 1932 | — | — | — | −0.6 |
| 1933 | — | — | — | −0.1 |
| 1934 | — | — | — | −0.1 |
| 1935 | — | — | — | −0.1 |
| End of 1935 | 2.0 | 113.2 | — | 74.2 |

URUGUAY

| Year | Total Face Short Term | Total Face Long Term | Net Face Short Term | Net Face Long Term |
|---|---|---|---|---|
| 1916 | 6.5 | 1.5 | 6.5 | 1.5 |
| 1917 | — | — | −2.5 | — |
| 1919 | — | — | −4.0 | — |
| 1921 | — | 7.5 | — | 7.4 |
| 1922 | 2.3 | 6.0 | 2.3 | 5.9 |
| 1923 | — | — | −2.3 | −0.1 |
| 1924 | — | — | — | −0.1 |
| 1925 | — | — | — | −0.1 |
| 1926 | — | 31.7 | — | 31.2 |
| 1927 | — | — | — | −0.5 |
| 1928 | — | — | — | −0.5 |
| 1929 | — | — | — | −0.5 |
| 1930 | — | 8.3 | — | 7.9 |
| 1931 | — | — | — | −0.4 |
| 1932 | — | — | — | −0.4 |
| 1933 | — | — | — | −0.1 |
| 1934 | — | — | — | −0.2 |
| 1935 | — | — | — | −0.2 |
| End of 1935 | 8.8 | 55.0 | — | 50.8 |

VENEZUELA

| Year | Total Face Short Term | Total Face Long Term | Net Face Short Term | Net Face Long Term |
|---|---|---|---|---|
| 1928 | — | 10.0 | — | 10.0 |
| End of 1935 | — | 10.0 | — | 10.0 |

COSTA RICA

| Year | Total Face | | Net Face | |
|---|---|---|---|---|
| | Short Term | Long Term | Short Term | Long Term |
| End of 1914 | — | 2.1 | — | 2.1 |
| 1915 | — | — | — | −2.1 |
| 1926 | — | 8.0 | — | 8 0 |
| 1927 | — | 1 8 | — | 1.7 |
| 1928 | — | — | — | −0.1 |
| 1929 | — | — | — | −0.2 |
| 1930 | — | — | — | −0.2 |
| 1931 | — | — | — | −0.2 |
| 1935 | — | — | — | −0.2 |
| End of 1935 | — | 11.9 | — | 8.8 |

CUBA

| Year | Total Face Short Term | Total Face Long Term | Net Face Short Term | Net Face Long Term |
|---|---|---|---|---|
| End of 1914 | — | 35.0 | — | 35.0 |
| 1915 | 6.7 | — | 6.7 | −0.5 |
| 1916 | — | — | — | −0.4 |
| 1917 | — | — | — | −0.4 |
| 1918 | — | — | −6.7 | −0.5 |
| 1919 | — | — | — | −0.6 |
| 1920 | — | — | — | −1.0 |
| 1921 | — | — | — | −1.1 |
| 1922 | — | 10.0 | — | 9.0 |
| 1923 | — | 50.0 | — | 48.4 |
| 1924 | — | — | — | −11.6 |
| 1925 | — | — | — | −1.6 |
| 1926 | — | — | — | −1.7 |
| 1927 | — | 9.0 | — | 7.3 |
| 1928 | — | 10.0 | — | 7.3 |
| 1929 | — | 10.0 | — | 7.2 |
| 1930 | — | 71.6 | — | 66.3 |
| 1931 | — | — | — | −11.6 |
| 1932 | — | — | — | −11.6 |
| 1933 | — | — | — | −11.7 |
| 1934 | — | — | — | −5.6 |
| 1935 | — | — | — | −5.4 |
| End of 1935 | 6.7 | 195.6 | — | 115.2 |

## AGGREGATE AND NET NEW DOLLAR LOANS—*Continued*

### DOMINICAN REPUBLIC

| Year | Total Face | | Net Face | |
|---|---|---|---|---|
| | Short Term | Long Term | Short Term | Long Term |
| End of 1914 | — | 4.6 | — | 4.6 |
| 1915 | — | — | — | −0.4 |
| 1916 | — | — | — | −0.4 |
| 1917 | — | — | — | −0.4 |
| 1918 | — | 4.2 | — | 3.5 |
| 1919 | — | — | — | −0.6 |
| 1920 | — | — | — | −0.7 |
| 1921 | 2.5 | — | 2 5 | −0.7 |
| 1922 | — | 6.7 | — | 6.0 |
| 1923 | — | — | — | −0.7 |
| 1924 | 2.5 | — | 2.5 | −0.7 |
| 1925 | — | — | −2.5 | −0.4 |
| 1926 | — | 3.3 | −2.5 | 1.0 |
| 1927 | — | 5.0 | — | 5.0 |
| 1928 | — | 4.0 | — | 4.0 |
| 1930 | — | — | — | −0.6 |
| 1931 | — | — | — | −0.6 |
| 1932 | — | — | — | −0.6 |
| 1933 | — | — | — | −0.6 |
| 1934 | — | — | — | −0.6 |
| 1935 | — | — | — | −0.6 |
| End of 1935 | 5 0 | 27.8 | — | 15.5 |

### GUATEMALA

| | | | | |
|---|---|---|---|---|
| 1928 | — | 0.6 | — | 0.5 |
| 1929 | — | — | — | −0.1 |
| End of 1935 | — | 0.6 | — | 0.4 |

### HAITI

| | | | | |
|---|---|---|---|---|
| End of 1914 | — | 0.4 | — | 0.4 |
| 1919 | — | — | — | −0.4 |
| 1922 | — | 16 0 | — | 16.0 |
| 1923 | — | — | — | −0.6 |
| 1924 | — | 2.5 | — | 1.9 |
| 1925 | — | 1.7 | — | 1.0 |
| 1926 | — | — | — | −0.8 |
| 1927 | — | — | — | −0.9 |
| 1928 | — | — | — | −0.8 |
| 1929 | — | — | — | −1.3 |
| 1930 | — | — | — | −0.8 |
| 1931 | — | — | — | −0.8 |
| 1932 | — | — | — | −0.8 |
| 1933 | — | — | — | −0.8 |
| 1934 | — | — | — | −0.8 |
| 1935 | — | — | — | −0.8 |
| End of 1935 | — | 20.6 | — | 9.7 |

### HONDURAS

| Year | Total Face | | Net Face | |
|---|---|---|---|---|
| | Short Term | Long Term | Short Term | Long Term |
| 1928 | 1.5 | — | 1.5 | — |
| 1929 | — | — | −0.2 | — |
| 1930 | — | — | −0.3 | — |
| 1931 | — | — | −0.3 | — |
| 1932 | — | — | −0.2 | — |
| 1933 | — | — | −0.2 | — |
| 1934 | — | — | −0.3 | — |
| End of 1935 | 1.5 | — | — | — |

### MEXICO

| | | | | |
|---|---|---|---|---|
| End of 1914 | 21.7 | 117.1 | 21.7 | 117.1 |
| 1921 | 2.8 | 1.0 | 2.8 | 1.0 |
| 1922 | 0.1 | — | 0.1 | — |
| 1923 | — | — | −0.5 | — |
| 1924 | 1.4 | — | 1.4 | — |
| 1925 | — | — | −1.9 | — |
| 1926 | — | — | −0.5 | −0.2 |
| 1927 | 0.2 | — | 0.2 | −0.2 |
| 1928 | — | — | −0.3 | −0.2 |
| 1929 | — | — | −1.3 | −0.2 |
| 1930 | — | — | — | −0.2 |
| End of 1935 | 26.2 | 118.1 | 21.7 | 117.1 |

### PANAMA

| | | | | |
|---|---|---|---|---|
| End of 1914 | — | 1.5 | — | 1.5 |
| 1915 | — | 1 2 | — | 1.2 |
| 1917 | — | — | — | −0.1 |
| 1918 | — | — | — | −0.1 |
| 1919 | — | — | — | −0.2 |
| 1920 | — | — | — | −0.1 |
| 1921 | — | — | — | −0.1 |
| 1922 | — | — | — | −0.2 |
| 1923 | — | 4.5 | — | 4.3 |
| 1924 | — | — | — | −0.2 |
| 1925 | — | 1.0 | — | 0.8 |
| 1926 | — | 4.8 | — | 4.6 |
| 1927 | — | 1.5 | — | 1.4 |
| 1928 | — | 10.8 | — | 4.6 |
| 1929 | — | — | — | −0.1 |
| 1930 | — | 1.0 | — | 0.9 |
| 1931 | — | — | — | −0.2 |
| 1932 | — | — | — | −0.3 |
| 1933 | — | — | — | −0.2 |
| 1934 | — | — | — | −0.3 |
| 1935 | — | — | — | −0.4 |
| End of 1935 | — | 26.3 | — | 16.8 |

## Aggregate and Net New Dollar Loans—*Continued*

### SALVADOR

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| 1923 | — | 6 0 | — | 6.0 |
| 1924 | — | — | — | −0 2 |
| 1925 | — | — | — | −0.3 |
| 1926 | 0.5 | 1 0 | 0 5 | 0.8 |
| 1927 | — | — | — | −0.2 |
| 1928 | — | — | −0.2 | −0 2 |
| 1928 | — | — | −0 3 | −0.3 |
| 1930 | — | — | — | −0.2 |
| 1931 | — | — | — | −0 2 |
| 1932 | — | — | — | −0.1 |
| 1933 | — | — | — | −0 2 |
| 1934 | — | — | — | −0 1 |
| 1935 | — | — | — | −0.2 |
| End of 1935 | 0.5 | 7.0 | — | 4.6 |

### LIBERIA

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| 1927 | — | 2.2 | — | 2 2 |
| End of 1935 | — | 2.2 | — | 2.2 |

### AUSTRALIA

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| 1917 | 1.2 | — | 1.2 | — |
| 1921 | — | 12.0 | — | 12.0 |
| 1922 | — | 12.5 | −1.2 | 12.0 |
| 1923 | — | — | — | −0.5 |
| 1924 | — | — | — | −0.5 |
| 1925 | — | 75.0 | — | 74.3 |
| 1926 | — | — | — | −0.7 |
| 1927 | — | 92.7 | — | 92 0 |
| 1928 | — | 56 5 | — | 54.4 |
| 1929 | — | — | — | −2.4 |
| 1930 | — | 22.5 | — | 20.8 |
| 1931 | — | — | — | −1.7 |
| 1932 | — | — | — | −1.7 |
| 1933 | — | — | — | −1.7 |
| 1934 | — | — | — | −1.7 |
| 1935 | — | — | — | −1 7 |
| End of 1935 | 1.2 | 271.2 | — | 252.9 |

### CHINA

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| 1916 | 7.8 | — | 7.8 | — |
| 1918 | 0.9 | — | 0.9 | — |
| 1919 | 11.0 | — | 4.8 | — |
| 1920 | 0.1 | — | 0.1 | — |
| 1921 | 1.3 | 1.5 | 1.3 | 1.5 |
| 1923 | — | 0.3 | — | 0.3 |
| End of 1935 | 21.1 | 1.8 | 14.9 | 1.8 |

### DUTCH EAST INDIES

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| 1922 | — | 100.0 | — | 100.0 |
| 1923 | — | 50.0 | — | 50.0 |
| 1927 | — | 24.4 | — | 24.4 |
| 1930 | — | — | — | −4.8 |
| 1931 | — | — | — | −6.5 |
| 1932 | — | — | — | −6.5 |
| 1933 | — | — | — | −7.2 |
| 1934 | — | — | — | −125.0 |
| End of 1935 | — | 174.4 | — | 24.4 |

### JAPAN

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| 1923 | — | 19.9 | — | 19.6 |
| 1924 | 22 0 | 139.6 | 22.0 | 137.4 |
| 1925 | 24.0 | 42 4 | 24 0 | 37.3 |
| 1926 | 12.0 | 19.7 | 12 0 | 13.9 |
| 1927 | — | 27.6 | −22.0 | 21.6 |
| 1928 | — | 97.9 | −24.0 | 91 5 |
| 1929 | 11 4 | — | 1.4 | −7.5 |
| 1930 | — | 69.7 | — | 59.8 |
| 1931 | — | — | −2.0 | −10.0 |
| 1932 | — | — | −11.4 | −10 0 |
| 1933 | — | — | — | −9.9 |
| 1934 | — | — | — | −10.0 |
| 1935 | — | — | — | −9 9 |
| End of 1935 | 69 4 | 416.8 | — | 323.8 |

### PHILIPPINE ISLANDS

| Year | Total Face: Short Term | Total Face: Long Term | Net Face: Short Term | Net Face: Long Term |
|---|---|---|---|---|
| End of 1914 | — | 26.3 | — | 26.3 |
| 1916 | — | 4.0 | — | 4.0 |
| 1917 | — | — | — | −0.1 |
| 1919 | 10.0 | — | 10.0 | −0.1 |
| 1920 | 10.0 | 6.0 | — | 6.0 |
| 1921 | 10.0 | 10.0 | — | 9.9 |
| 1922 | — | 39.2 | −10.0 | 39.1 |
| 1923 | — | 2.0 | — | 1.9 |
| 1924 | — | 1.5 | — | 1.4 |
| 1925 | — | 1.0 | — | 1.0 |
| 1926 | — | 0.3 | — | 0.2 |
| 1927 | — | 3.0 | — | 2.9 |
| 1928 | — | 2.1 | — | 2.0 |
| 1929 | 2.5 | 3.2 | 2.5 | 3.2 |
| 1930 | — | 2.8 | — | 2.8 |
| 1934 | — | — | — | −8.5 |
| 1935 | — | — | — | −5.7 |
| End of 1935 | 32.5 | 101.4 | 2.5 | 86.3 |

AGGREGATE AND NET NEW DOLLAR LOANS—*Continued*

CANADA AND NEWFOUNDLAND

| Year | Total Face | | Net Face | |
|---|---|---|---|---|
| | Short Term | Long Term | Short Term | Long Term |
| End of 1914 | 20.9 | 119.2 | 20.9 | 119 2 |
| 1915. | 132.0 | 47.3 | 123.6 | 44.0 |
| 1916 | 36.7 | 170.7 | −4.4 | 165.9 |
| 1917 | 138.7 | 77.1 | 75.0 | 71.9 |
| 1918 | 3.7 | 36.4 | −40.2 | 30 5 |
| 1919 | 32.6 | 188.3 | −101.9 | 165.7 |
| 1920 | 83.1 | 129.5 | 53.8 | 117.8 |
| 1921 | 12.2 | 165.5 | −1.1 | 127.5 |
| 1922 | 30.0 | 282.1 | 5.2 | 255.2 |
| 1923 | 16.7 | 124.8 | −11.4 | 91.1 |
| 1924. | 126.6 | 116.4 | 86.0 | 93.3 |
| 1925 | 124.6 | 95.6 | −35.7 | 63.3 |
| 1926 | 39.4 | 174.5 | −61.4 | 98.5 |
| 1927.. | 41.0 | 193.8 | −18.3 | 149 3 |
| 1928 | 2.8 | 150.1 | −28.0 | 78.6 |
| 1929 | 6.6 | 217.7 | −8.6 | 133.1 |
| 1930 | 36.0 | 266.7 | −18.4 | 194.2 |
| 1931 | 12.7 | 148.8 | −14.0 | 48.9 |
| 1932 | 72.7 | 0.7 | 62.8 | −49.9 |
| 1933.. | 60.0 | — | −13.2 | −58.0 |
| 1934 | — | — | −63.1 | −92.5 |
| 1935.. | — | 61.8 | −4.0 | −25.0 |
| End of 1935... | 1029.0 | 2767 0 | 3.6 | 1822.6 |

EUROPE

| Year | Total Face | | Net Face | |
|---|---|---|---|---|
| | Short Term | Long Term | Short Term | Long Term |
| End of 1914. | 18.0 | 29.0 | 18.0 | 29.0 |
| 1915 | 600.0 | — | 590.0 | — |
| 1916 | 882.4 | 5.0 | 810.9 | 5.0 |
| 1917 | 483.2 | — | 406.4 | — |
| 1918 | — | 55.0 | −522.4 | 55.0 |
| 1919. | 44.1 | 427.3 | −494.4 | 427.3 |
| 1920 | 59 6 | 285.7 | −512.4 | 284.6 |
| 1921 | 4.4 | 197.8 | −167.6 | 182.5 |
| 1922 | — | 140.8 | −2.5 | 23.1 |
| 1923.. | 22.0 | 70.0 | 19.5 | 43.0 |
| 1924. | 30.6 | 549.1 | 18.1 | 495.7 |
| 1925. | 43.9 | 572.2 | −16.0 | 487.6 |
| 1926 | 45.2 | 391.0 | −14.1 | 340.3 |
| 1927. | 79.3 | 558.5 | 33.7 | 487.6 |
| 1928.. | 13 5 | 506 7 | −32.1 | 311.0 |
| 1929... | 0.6 | 84.8 | −27.4 | −224.9 |
| 1930. | 34.9 | 239.6 | 12.1 | 69.4 |
| 1331 | 7.5 | 50.0 | −2.2 | −143.1 |
| 1932. | 22.0 | — | −2.4 | −230.8 |
| 1933.. | — | — | −3.7 | −144.7 |
| 1934. | — | 5.0 | −3.0 | −187.8 |
| 1935. | — | — | −10.2 | −141.7 |
| End of 1935 | 2391.2 | 4167.5 | 98.3 | 2168.1 |

SOUTH AMERICA

| | | | | |
|---|---|---|---|---|
| End of 1914..... | 17.0 | 5.0 | 17.0 | 5.0 |
| 1915 | 31.0 | 0.5 | 26.0 | 0.5 |
| 1916 | 72.3 | 7.0 | 66.8 | 7.0 |
| 1917.. | 26.2 | 21.2 | −65.3 | 20.8 |
| 1918. | 0.8 | — | −2.2 | −0.4 |
| 1919... | 8.0 | 23 5 | −3 5 | 22.6 |
| 1920.. | 3.1 | 0.7 | −27.7 | −4.9 |
| 1921.. | 72.5 | 138 5 | 72.5 | 136.7 |
| 1922.. | 34.3 | 108 9 | 25.7 | 82.2 |
| 1923 | 55.0 | 2 1 | 0.2 | −6.0 |
| 1924.. | 57.0 | 99.6 | −24.2 | 88.6 |
| 1925.. | 31.0 | 129.3 | −34.7 | 116.3 |
| 1926.. | 50.0 | 281.6 | 28.0 | 260.1 |
| 1927.. | 8.6 | 319.5 | −64.9 | 287.3 |
| 1928.. | 3.2 | 326.6 | −0.5 | 208.2 |
| 1929. | 1.5 | 57.1 | 0.2 | 26.2 |
| 1930..... | 134.6 | 70.9 | 72.6 | 51.8 |
| 1931.. | 23.9 | — | −11.2 | −20.7 |
| 1932. | — | — | −0.5 | −20.3 |
| 1933... | — | — | −36.3 | −19.7 |
| 1934..... | 4.0 | — | −20.2 | −19.7 |
| 1935... | — | — | −0.4 | −24.7 |
| End of 1935..... | 634.0 | 1592.0 | 17.4 | 1196.9 |

INTERNATIONAL

| | | | | |
|---|---|---|---|---|
| 1927. | 2.0 | — | 0.6 | — |
| 1930 | — | 12.4 | −0.6 | 12.4 |
| End of 1935... | 2.0 | 12 4 | — | 12.4 |

Aggregate and Net New Dollar Loans—*Continued*

OTHER LATIN AMERICA

| Year | Total Face Short Term | Total Face Long Term | Net Face Short Term | Net Face Long Term |
|---|---|---|---|---|
| End of 1914 | 21.7 | 158.8 | 21.7 | 158.8 |
| 1915 | 6.7 | 1.2 | 6.7 | −1.8 |
| 1916 | — | — | — | −0.8 |
| 1917 | — | — | — | −0.9 |
| 1918 | — | 4.2 | −6 7 | 2.9 |
| 1919 | — | — | — | −1.8 |
| 1920 | — | — | — | −1.8 |
| 1921 | 5.3 | 1.0 | 5 3 | −0.9 |
| 1922 | 0 1 | 32.7 | 0.1 | 30.8 |
| 1923 | — | 60.5 | −0.5 | 57.4 |
| 1924 | 3.9 | 2.5 | 3.9 | −10.8 |
| 1925 | — | 2.7 | −4.4 | −0.5 |
| 1926 | 0.5 | 17.1 | −2.5 | 11.7 |
| 1927 | 0.2 | 17.3 | 0.2 | 14.1 |
| 1928 | 1.5 | 25.4 | 1 0 | 15.1 |
| 1929 | — | 10.0 | −1 8 | 5 0 |
| 1930 | — | 72.6 | −0.3 | 65 2 |
| 1931 | — | — | −0.3 | −13.6 |
| 1932 | — | — | −0.2 | −13.4 |
| 1933 | — | — | −0 2 | −13.5 |
| 1934 | — | — | −0 3 | −7.4 |
| 1935 | — | — | — | −7.6 |
| End of 1935 | 39.9 | 406.0 | 21.7 | 286.2 |

OTHER COUNTRIES

| Year | Total Face Short Term | Total Face Long Term | Net Face Short Term | Net Face Long Term |
|---|---|---|---|---|
| End of 1914 | — | 26.3 | — | 26.3 |
| 1916 | 7.8 | 4.0 | 7.8 | 4.0 |
| 1917 | 1.2 | — | 1.2 | −0 1 |
| 1918 | 0.9 | — | 0.9 | — |
| 1919 | 21.0 | — | 14.8 | −0.1 |
| 1920 | 10.1 | 6.0 | 0.1 | 6.0 |
| 1921 | 11.3 | 23.5 | 1.3 | 23.4 |
| 1922 | — | 151.7 | −11.2 | 151.1 |
| 1923 | — | 72.2 | — | 71 3 |
| 1924 | 22.0 | 141.1 | 22.0 | 138.3 |
| 1925 | 24.0 | 118.4 | 24.0 | 112.6 |
| 1926 | 12.0 | 20.0 | 12.0 | 13.4 |
| 1927 | — | 149.9 | −22.0 | 143.1 |
| 1928 | — | 156.5 | −24.0 | 147.9 |
| 1929 | 13.9 | 3.2 | 3.9 | −6.7 |
| 1930 | — | 95.0 | — | 78.6 |
| 1931 | — | — | −2.0 | −18.2 |
| 1932 | — | — | −11.4 | −18 2 |
| 1933 | — | — | — | −18.8 |
| 1934 | — | — | — | −145.2 |
| 1935 | — | — | — | −17.3 |
| End of 1935 | 124.2 | 967.8 | 17.4 | 691.4 |

ALL COUNTRIES

| Year | Total Face Short Term[d] | Total Face Long Term | Net Face Short Term[d] | Net Face Long Term |
|---|---|---|---|---|
| End of 1914 | 77.6 | 340 2 | 77.6 | 340.2 |
| 1915 | 769.7 | 49.0 | 746.3 | 42.7 |
| 1916 | 999.2 | 186.7 | 881.0 | 181.1 |
| 1917 | 649.3 | 98 3 | 417.4 | 91.7 |
| 1918 | 5 4 | 95 6 | −570 6 | 88.0 |
| 1919 | 105.7 | 639.1 | −585.0 | 613.7 |
| 1920 | 155.9 | 421 9 | −486.2 | 401 7 |
| 1921 | 105.7 | 526.3 | −89 6 | 469.2 |
| 1922 | 64.4 | 716.2 | 17.3 | 542 4 |
| 1923 | 93.7 | 329.6 | 7.8 | 256.8 |
| 1924 | 240.1 | 908.7 | 105.8 | 805.1 |
| 1925 | 223.5 | 918.2 | −66.8 | 779.3 |
| 1926 | 147.1 | 84.2 | −38.0 | 724.0 |
| 1927 | 131.1 | 1239.0 | −70.7 | 1081.4 |
| 1928 | 21.0 | 1165.3 | −83.6 | 760.8 |
| 1929 | 22.6 | 372.8 | −33.7 | −67 3 |
| 1930 | 205.5 | 757.2 | 65.4 | 471.6 |
| 1931 | 44.1 | 198.8 | −29.7 | −146.7 |
| 1932 | 94.7 | 0.7 | 48.3 | −332.6 |
| 1933 | 60.0 | — | −53.4 | −254.7 |
| 1934 | 4.0 | 5.0 | −86.6 | −452.6 |
| 1935 | — | 61.8 | −14.6 | −216.3 |
| End of 1935 | 4220.3 | 9914.6 | 158.4 | 6179.5 |

[d] Data for the four years 1916–19 exclude the demand loan to the British government considered on p. 354, note 8; p. 355, note 10; p. 368, note 32.

2. Foreign Dollar Loans Annually Taken in the
With Estimated Amounts Out-
(In millions

I. AGGREGATE LOANS AND REPAYMENTS

A. Long Term

| Calendar Years | National and Provincial Government | | Municipal | | Corporate | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Total Face | Retire-ments | Total Face | Retire-ments | Total Face | Retire-ments | Total Face | Retire-ments |
| Outstanding 1914 | 85.8 | — | 16.2 | — | 238.2 | — | 340.2 | — |
| 1915 | 17 0 | 0.9 | 15.1 | — | 16.8 | 5.3 | 48.9 | 6.2 |
| 1916 | 134.2 | 1.0 | 29.2 | — | 23.2 | 4.7 | 186.6 | 5.7 |
| 1917 | 67.7 | 1.5 | 2.6 | — | 28.0 | 5.1 | 98.3 | 6.6 |
| 1918 | 87.7 | 1.8 | 2.4 | — | 5.5 | 5.8 | 95.6 | 7.6 |
| 1919 | 534.4 | 17.0 | 59.0 | 0.6 | 45.7 | 7.8 | 639.1 | 25.4 |
| 1920 | 290.1 | 3.6 | 30.1 | 5.1 | 101.7 | 11.5 | 421.9 | 20.2 |
| 1921 | 365.2 | 44.0 | 73.5 | 0.7 | 87.6 | 12.4 | 526.3 | 57.1 |
| 1922 | 509.9 | 139.0 | 88.7 | 11.6 | 117.5 | 23.0 | 716.1 | 173.6 |
| 1923 | 231.9 | 54.0 | 16.7 | 5.9 | 80.9 | 12.9 | 329.5 | 72.8 |
| 1924 | 676.9 | 57.7 | 66.7 | 2.0 | 165.0 | 43.9 | 908.6 | 103.6 |
| 1925 | 551.6 | 114.2 | 88.3 | 7.7 | 278.5 | 17.1 | 918.4 | 139.0 |
| 1926 | 436.7 | 105.5 | 92.8 | 17.8 | 354.6 | 37.0 | 884.1 | 160.3 |
| 1927 | 584.8 | 63.5 | 198.1 | 18.3 | 456.0 | 76.0 | 1,238.9 | 157.8 |
| 1928 | 486.3 | 256.1 | 111.7 | 43.4 | 567.1 | 105.0 | 1,165.1 | 404.5 |
| 1929 | 97.4 | 380.6 | 48.0 | 13.8 | 227.4 | 45.7 | 372.8 | 440.1 |
| 1930 | 432.7 | 120.1 | 63.8 | 29.4 | 260.7 | 136.3 | 757.2 | 285.8 |
| 1931 | 75.1 | 217.9 | 22.4 | 33.7 | 101.3 | 93.7 | 198.8 | 345.3 |
| 1932 | — | 151.0 | — | 25.9 | 0.7 | 156.7 | 0.7 | 333.6 |
| 1933 | — | 142.8 | — | 20.3 | — | 91.8 | — | 254.9 |
| 1934 | 5.0 | 300.2 | — | 65.9 | — | 91.4 | 5.0 | 457.5 |
| 1935 | 60.0 | 114.7 | 1.8 | 38.4 | — | 125.1 | 61.8 | 278.2 |
| Total | 5,730.4 | 2,287.1 | 1,027.1 | 340.5 | 3,156.4 | 1,108.2 | 9,913.9 | 3,735.8 |

B. Short Term

| Calendar Years | National and Provincial Government | | Municipal | | Corporate | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Total Face | Retire-ments | Total Face | Retire-ments | Total Face | Retire-ments | Total Face | Retire-ments |
| Outstanding 1914 | 37.0 | — | 6.9 | — | 33.7 | — | 77.6 | — |
| 1915 | 711.8 | 17.7 | 30.5 | — | 27.4 | 5.7 | 769.7 | 23.4 |
| 1916 | 816.4 | 108.0 | 102.7 | 5.7 | 80.1 | 4.4 | 999.2 | 118.1 |
| 1917 | 605.1 | 178.7 | 16.2 | 20.5 | 28.0 | 32.8 | 649.3 | 232.0 |
| 1918 | 1.7 | 474.3 | 1.4 | 22.8 | 2.3 | 78.9 | 5.4 | 576.0 |
| 1919 | 77.9 | 631.3 | 5.8 | 26.6 | 22.0 | 32.7 | 105.7 | 690.6 |
| 1920 | 118.7 | 622.2 | 9.6 | 17.5 | 27.6 | 2.4 | 155.9 | 642.1 |
| 1921 | 101.4 | 139.8 | 0.3 | 53.4 | 4.1 | 2.2 | 105.8 | 195.4 |
| 1922 | 45.1 | 22.7 | 8.1 | 5.3 | 11.2 | 19.1 | 64.4 | 47.1 |
| 1923 | 90.7 | 68.5 | 1.0 | 10.3 | 2.0 | 7.1 | 93.7 | 85.9 |
| 1924 | 175.5 | 109.0 | 7.5 | 11.3 | 57.1 | 14.1 | 240.1 | 134.4 |
| 1925 | 152.4 | 264.4 | 0.6 | 9.5 | 70.4 | 16.4 | 223.4 | 290.3 |
| 1926 | 98.6 | 156.2 | 7.2 | 2.2 | 41.2 | 26.6 | 147.0 | 185.0 |
| 1927 | 75.7 | 135.3 | 8.9 | 5.2 | 46.6 | 61.4 | 131.2 | 201.9 |
| 1928 | 9.2 | 59.2 | 1.8 | 1.0 | 10.0 | 44.5 | 21.0 | 104.7 |
| 1929 | 7.5 | 13.2 | — | 2.4 | 15.2 | 40.8 | 22.7 | 56.4 |
| 1930 | 162.6 | 99.6 | 25.6 | 14.2 | 17.4 | 26.2 | 205.6 | 140.0 |
| 1931 | 36.6 | 37.0 | — | 24.7 | 7.5 | 12.1 | 44.1 | 73.8 |
| 1932 | 80.2 | 17.6 | — | 0.2 | 14.5 | 28.6 | 94.7 | 46.4 |
| 1933 | 60.0 | 109.4 | — | — | — | 4.0 | 60.0 | 113.4 |
| 1934 | 4.0 | 87.3 | — | — | — | 3.3 | 4.0 | 90.6 |
| 1935 | — | 11.5 | — | — | — | 3.1 | — | 14.6 |
| Total | 3,468.1 | 3,362.9 | 234.1 | 232.8 | 518.3 | 466.4 | 4,220.5 | 4,062.1 |

UNITED STATES, BY CLASSES OF BORROWERS, 1915–35
standing, December 31, 1914
of dollars)

II. NET NEW LOANS COMPARED WITH NET AMOUNTS PAID TO BORROWERS[a]

A. Long Term

| Calendar Years | National and Provincial Government | | Municipal | | Corporate | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Net Face | Net Cost | Net Face | Net Cost | Net Face | Net Cost | Net Face | Net Cost |
| Outstanding 1914. . . . | 85.8 | ... | 16.2 | ... | 238.2 | ... | 340.2 | .. |
| 1915 . | 16.1 | 15.1 | 15.1 | 13.2 | 11.5 | 11.0 | 42.7 | 39.3 |
| 1916 . | 133 2 | 127.2 | 29.2 | 27.4 | 18.5 | 16.7 | 180.9 | 171.3 |
| 1917. . | 66 2 | 63.2 | 2.6 | 2.4 | 22.9 | 21.5 | 91.7 | 87.1 |
| 1918 | 85.9 | 84.2 | 2.4 | 2.1 | −0.3 | −0.8 | 88 0 | 85.5 |
| 1919. . . | 517.4 | 496.7 | 58.4 | 51.9 | 37.9 | 36.0 | 613.7 | 584.6 |
| 1920 . . | 286.5 | 269 7 | 25.0 | 23.1 | 90.2 | 85.3 | 401.7 | 378.1 |
| 1921 ... | 321.2 | 292.4 | 72.8 | 64.2 | 75.2 | 68.2 | 469.2 | 424.8 |
| 1922. . . . | 370.9 | 333.3 | 77.1 | 71.1 | 94.5 | 76.0 | 542.5 | 480.4 |
| 1923. . | 177.9 | 158.8 | 10.8 | 10.1 | 68.0 | 60.5 | 256.7 | 229 4 |
| 1924. . . . | 619.2 | 548.7 | 64.7 | 58.5 | 121.1 | 102.8 | 805.0 | 710.0 |
| 1925 ... | 437.4 | 395.9 | 80.6 | 70.2 | 261.4 | 227.6 | 779.4 | 693.7 |
| 1926 . | 331.2 | 289.6 | 75.0 | 66.7 | 317.6 | 287.3 | 723.8 | 643.6 |
| 1927 . . . | 521.3 | 472.9 | 179.8 | 160.5 | 380.0 | 346.0 | 1,081.1 | 979.4 |
| 1928. . | 230.2 | 188.8 | 68.3 | 58.0 | 462.1 | 410.3 | 760.6 | 657.1 |
| 1929. . . . | −283.2 | −288.9 | 34.2 | 31.6 | 181.7 | 167.9 | −67.3 | −89.4 |
| 1930. . . | 312 6 | . | 34 4 | | 124.4 | . | 471.4 | . |
| 1931. . | −142.8 | . | −11.3 | . | 7 6 | | −146.5 | |
| 1932 . | −151.0 | | −25.9 | | −156.0 | | −332.9 | |
| 1933 . | −142.8 | . | −20.3 | . | −91.8 | | −254.9 | |
| 1934 . | −295.2 | | −65.9 | . | −91.4 | | −452.5 | . |
| 1935. . . . | −54.7 | .. | −36.6 | ... | −125.1 | . . | −216.4 | ... |

B. Short Term

| Calendar Years | National and Provincial Government | | Municipal | | Corporate | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Net Face | Net Cost | Net Face | Net Cost | Net Face | Net Cost | Net Face | Net Cost |
| Outstanding 1914 . | 37.0 | ... | 6.9 | ... | 33.7 | ... | 77.6 | ... |
| 1915. . . . | 694.1 | 669.6 | 30.5 | 30.0 | 21.7 | 20.5 | 746.3 | 720.1 |
| 1916 ... | 708.4 | 685.1 | 97.0 | 93.7 | 75.7 | 75 1 | 881.1 | 853.9 |
| 1917 . | 426.4 | 410.9 | −4.3 | −5.5 | −4.8 | −6.0 | 417.3 | 399.4 |
| 1918 . | −472.6 | −472.6 | −21.4 | −21.5 | −76.6 | −76.7 | −570.6 | −570.8 |
| 1919. . . . . | −553.4 | −556.7 | −20.8 | −21.0 | −10.7 | −11.4 | −584.9 | −589.1 |
| 1920 . | −503.5 | −510 7 | −7.9 | −9.0 | 25.2 | 24.0 | −486.2 | −495.7 |
| 1921. . . . | −38.4 | −42.0 | −53.1 | −53.1 | 1.9 | 1.9 | −89.6 | −93.2 |
| 1922. . . . | 22.4 | 20.6 | 2.8 | 2.6 | −7.9 | −7.9 | 17.3 | 15.3 |
| 1923. . . . | 22.2 | 20.1 | −9.3 | −9.3 | −5.1 | −5.2 | 7.8 | 5.6 |
| 1924. . . . | 66.5 | 65.9 | −3.8 | −3.9 | 43.0 | 41.3 | 105.7 | 103.3 |
| 1925 . . . . | −112.0 | −113.2 | −8.9 | −8.9 | 54.0 | 51.5 | −66.9 | −70.6 |
| 1926. . . | −57.6 | −60.2 | 5.0 | 4.8 | 14.6 | 13.2 | −38.0 | −42.2 |
| 1927. . . . . . | −59.6 | −61.8 | 3.7 | 3.7 | −14.8 | −16.4 | −70.7 | −74.5 |
| 1928 . . . . | −50.0 | −50.1 | 0.8 | 0.7 | −34.5 | −34.9 | −83.7 | −84.3 |
| 1929. . . . . | −5.7 | −5.8 | −2.4 | −2.4 | −25.6 | −26.6 | −33.7 | −34.8 |
| 1930 . . . . . | 63.0 | .. | 11.4 | ... | −8.8 | ... | 65.6 | . . |
| 1931. . . . . | −0.4 | ... | −24.7 | ... | −4.6 | . | −29.7 | ... |
| 1932. . . . . | 62.6 | .. | −0.2 | . | −14.1 | ... | 48.3 | ... |
| 1933. . . . . | −49.4 | .. | — | ... | −4.0 | ... | −53.4 | .. |
| 1934. . . . | −83.3 | ... | — | .. | −3.3 | . . | −86.6 | . |
| 1935. . . . . . | −11.5 | ... | — | ... | −3.1 | ... | −14.6 | ... |

[a] A minus sign indicates repayments in excess of new loans.

## 3. Prices Paid by Public and by Bankers for Foreign Dollar Loans Taken in the United States, with Comparable Effective Interest Rates, 1915–29[a]

Annual Averages, by Classes of Borrowers and by Countries

### I. LONG TERM—NATIONAL AND PROVINCIAL GOVERNMENT

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Public | | Bankers | |
|---|---|---|---|---|---|---|
| | | | Issue Price | Effective Interest Rate | Price | Effective Interest Rate |
| EUROPE | | | | | | |
| Austria: | | | | | | |
| 1923 | 25,000 | 7.0 | 90.0 | 7.8 | 85.8 | 8.2 |
| 1925 | 5,000 | 7.0 | 95.2 | 7 6 | (86.5) | (8 1) |
| 1926 | 6,000 | 7.2 | 94.5 | 7 6 | (88.5) | (8.1) |
| 1927 | 5,000 | 6.5 | 93.8 | 6.9 | (87.8) | (7.4) |
| Belgium: | | | | | | |
| 1920 | 50,000 | 7.5 | 97.3 | 7.7 | 91.3 | 8.2 |
| 1921 | 30,000 | 8.0 | 100.0 | 8.0 | 94.0 | 8 5 |
| 1924 | 80,000 | 6.2 | 89.9 | 6.9 | 85.6 | 7.2 |
| 1925 | 50,000 | 7.0 | 98.0 | 7.1 | 94.0 | 7.5 |
| 1926 | 50,000 | 7.0 | 94.0 | 7.5 | 90.0 | 7.8 |
| Bulgaria: | | | | | | |
| 1926 | 4,500 | 7 0 | 92.0 | 7.6 | 87.0 | 8.1 |
| 1928 | 9,000 | 7.5 | 97.0 | 7.7 | 92.0 | 8.2 |
| Czechoslovakia: | | | | | | |
| 1922 | 14,000 | 8.0 | 96.5 | 8.3 | 90.0 | 8.9 |
| 1924 | 9,250 | 8 0 | 96.5 | 8.3 | 91.0 | 8.8 |
| 1925 | 21,500 | 7.5 | 96.0 | 7.8 | 91.0 | 8.2 |
| Danzig: | | | | | | |
| 1927 | 3,000 | 6.5 | 90.0 | 7.2 | 84.5 | 7.7 |
| Denmark: | | | | | | |
| 1920 | 25,000 | 8.0 | 100.0 | 8.0 | 95.0 | 8.4 |
| 1921 | 30,000 | 6.0 | 94.5 | 6.4 | (89.5) | (6.7) |
| 1925 | 26,500 | 5.5 | 99.5 | 5.5 | 97.3 | 5.7 |
| 1927 | 4,100 | 4.5 | 98.2 | 4.6 | 96.1 | 4.7 |
| 1928 | 47,500 | 4.5 | 95.1 | 4 8 | 93.1 | 4.9 |
| Estonia: | | | | | | |
| 1927 | 4,000 | 7.0 | 94.5 | 7.4 | 89.3 | 7.8 |
| Finland: | | | | | | |
| 1923 | 10,000 | 6.0 | 90.0 | 6.7 | 85.0 | 7.1 |
| 1925 | 10,000 | 7.0 | 94.0 | 7.5 | 88.4 | 7.9 |
| 1926 | 12,000 | 6.5 | 94.0 | 6.9 | 90.0 | 7.2 |
| 1928 | 11,000 | 5.5 | 92.5 | 6.0 | 88.5 | 6.2 |
| France: | | | | | | |
| 1919 | 2,110 | 5.5 | 100.0 | 5.5 | (98.0) | (5.6) |
| 1920 | 100,000 | 8.0 | 100.0 | 8.0 | 94.0 | 8.5 |
| 1921 | 100,000 | 7.5 | 95.0 | 7.9 | 90.0 | 8.3 |
| 1922 | 25,000 | 7.0 | 90.5 | 7.7 | 85.5 | 8.2 |
| 1924 | 100,000 | 7.0 | 94.0 | 7.5 | 89.0 | 7.9 |
| Germany: | | | | | | |
| 1924 | 110,000 | 7.0 | 92.0 | 7.6 | 87.0 | 8.1 |
| 1925 | 26,250 | 6.8 | 94.7 | 7.2 | 89.5 | 7.6 |
| 1926 | 34,650 | 6.4 | 93.7 | 6.8 | 89.5 | 7.1 |
| 1927 | 25,500 | 6.0 | 96.4 | 6.2 | 92.4 | 6.5 |
| 1929 | 3,725 | 6.5 | 94.5 | 6.9 | 91.0 | 7.1 |

[a] Figures in parentheses are based on information covering less than 75 per cent of the aggregate face value of the specified loans.

LOAN PRICES AND EFFECTIVE INTEREST RATES—*Continued*

LONG TERM—NATIONAL AND PROVINCIAL—*Continued*

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Public | | Bankers | |
|---|---|---|---|---|---|---|
| | | | Issue Price | Effective Interest Rate | Price | Effective Interest Rate |
| EUROPE (Cont'd.) | | | | | | |
| Great Britain: | | | | | | |
| 1918 | 55,000 | 5.5 | 101 0 | 5.5 | (99 0) | (5 6) |
| 1919 | 338,000 | 5.5 | 98.4 | 5.6 | (96.4) | (5.7) |
| Greece: | | | | | | |
| 1924 | 6,000 | 7.0 | 88.0 | 8 0 | 80 1 | 8 7 |
| 1925 | 1,250 | 8.0 | 85.0 | 9.4 | 85.0 | 9.4 |
| 1926 | 1,250 | 8.0 | 85.0 | 9.4 | 85.0 | 9.4 |
| 1927 | 1,250 | 8.0 | 85.0 | 9 4 | 85.0 | 9.4 |
| 1928 | 16,250 | 6.2 | 90 8 | 6.8 | 85.9 | 7.2 |
| Hungary: | | | | | | |
| 1924 | 9,000 | 7.5 | 87 6 | 8.6 | 80.7 | 9.3 |
| Ireland: | | | | | | |
| 1927 | 15,000 | 5.0 | 97.0 | 5.2 | 94.0 | 5.3 |
| Italy: | | | | | | |
| 1925 | 100,000 | 7.0 | 94.5 | 7.4 | 90.0 | 7.8 |
| 1927 | 12,000 | 7.0 | 95.9 | 7 3 | 91.5 | 7.7 |
| 1928 | 1,500 | 4.8 | 100.9 | 4.7 | (98.9) | (4.8) |
| Lithuania: | | | | | | |
| 1920 | 1,846 | 5.0 | (100.0) | (5.0) | (100.0) | (5.0) |
| Netherlands: | | | | | | |
| 1924 | 40,000 | 6.0 | 98.5 | 6.1 | 94.0 | 6.4 |
| Norway: | | | | | | |
| 1916 | 5,000 | 6.0 | 101.5 | 5.9 | (96.5) | (6.2) |
| 1920 | 20,000 | 8.0 | 100.0 | 8.0 | 94.3 | 8.5 |
| 1922 | 18,000 | 6.0 | 100.0 | 6.0 | 97.0 | 6.2 |
| 1923 | 20,000 | 6 0 | 96.5 | 6.2 | 92.0 | 6.5 |
| 1924 | 25,000 | 6.0 | 97.5 | 6.2 | 94 0 | 6.4 |
| 1925 | 30,000 | 5.5 | 96.8 | 5.7 | (93.3) | (5.9) |
| 1928 | 38,000 | 5.0 | 97.5 | 5.1 | (94.1) | (5.3) |
| Poland: | | | | | | |
| 1920 | 29,876 | 5.8 | 100.0 | 5.8 | 100.0[b] | 5.8 |
| 1925 | 34,715 | 8.0 | 95.0 | 8.4 | 86.3 | 9 3 |
| 1927 | 47,000 | 7.0 | 92.0 | 7.6 | 86.0 | 8.1 |
| 1928 | 9,000 | 7.0 | 89.3 | 7.8 | (81.3) | (8.6) |
| Rumania: | | | | | | |
| 1920 | 2,965 | 7 0 | 100.0 | 7.0 | 100.0[c] | 7.0 |
| 1929 | 10,000 | 7.0 | 88.0 | 8.0 | (81.0) | (8.6) |
| Sweden: | | | | | | |
| 1919 | 20,000 | 6.0 | 99.5 | 6.0 | 96.5 | 6.2 |
| 1924 | 30,000 | 5.5 | 99.5 | 5.5 | 96.6 | 5.7 |
| Switzerland: | | | | | | |
| 1919 | 30,000 | 5.5 | 96.3 | 5.7 | 93.0 | 5.9 |
| 1920 | 25,000 | 8.0 | 100.0 | 8.0 | 94.0 | 8.5 |
| 1924 | 30,000 | 5.5 | 97.5 | 5.6 | 94.0 | 5.9 |
| Yugoslavia: | | | | | | |
| 1922 | 15,250 | 8.0 | 95.5 | 8.4 | (87.0) | (9.2) |
| 1927 | 23,250 | 7.0 | 92.5 | 7.6 | (85.5) | (8.2) |

[b] A loan of 23.1 million dollars was sold by the Polish legation, and a loan of 8.7 million dollars was extended by the Baldwin Locomotive Works.

[c] Loans by the Baldwin Locomotive Works and American Locomotives.

LOAN PRICES AND EFFECTIVE INTEREST RATES—*Continued*

LONG TERM—NATIONAL AND PROVINCIAL—*Continued*

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Public | | Bankers | |
|---|---|---|---|---|---|---|
| | | | Issue Price | Effective Interest Rate | Price | Effective Interest Rate |
| CANADA AND NEWFOUNDLAND | | | | | | |
| 1915 | 15,750 | 4.7 | 96.0 | 4.9 | (94.0) | (5.0) |
| 1916 | 127,750 | 5.0 | 96.3 | 5.2 | (95.6) | (5.2) |
| 1917 | 61,500 | 5.1 | 96.7 | 5.3 | (96.2) | (5.3) |
| 1918 | 28,550 | 5.5 | 98.4 | 5.6 | (97.4) | (5.7) |
| 1919 | 139,290 | 5.5 | 98.4 | 5.6 | (96.4) | (5.7) |
| 1920 | 29,368 | 6.0 | 93.4 | 6.4 | (91.2) | (6.5) |
| 1921 | 61,931 | 6.0 | 97.2 | 6.2 | 94.7 | 6.3 |
| 1922 | 179,910 | 5.1 | 96.6 | 5.3 | 94.4 | 5.4 |
| 1923 | 62,188 | 5.0 | 98.6 | 5.1 | (96.3) | (5.2) |
| 1924 | 26,550 | 4.9 | 98.4 | 5.0 | 96.2 | 5.1 |
| 1925 | 58,619 | 4.5 | 97.3 | 4.7 | (96.1) | (4.7) |
| 1926 | 65,760 | 4.5 | 98.0 | 4.6 | 96.5 | 4.7 |
| 1927 | 72,934 | 4.5 | 99.2 | 4.5 | 98.0 | 4.6 |
| 1928 | 36,477 | 4.2 | 96.2 | 4.3 | (95.0) | (4.4) |
| 1929 | 47,883 | 4.8 | 100.2 | 4.8 | 99.0 | 4.9 |
| SOUTH AMERICA | | | | | | |
| Argentina: | | | | | | |
| 1917 | 3,823 | 6.0 | (96.5) | (6.2) | (90.0) | (6.7) |
| 1924 | 70,000 | 6.0 | 95.9 | 6.3 | 92.0 | 6.5 |
| 1925 | 90,831 | 6.2 | 96.1 | 6.4 | 92.1 | 6.7 |
| 1926 | 84,468 | 6.7 | 97.4 | 6.8 | 91.0 | 7.3 |
| 1927 | 95,337 | 6 2 | 98.2 | 6.3 | 93.2 | 6.7 |
| 1928 | 41,600 | 5.8 | 96.6 | 6.0 | 93.8 | 6.2 |
| Bolivia: | | | | | | |
| 1917 | 2,400 | 6.0 | 97.5 | 6.2 | 87.4 | 6.9 |
| 1921 | 9,253 | 7.5 | 88.1 | 8.5 | 88.1 | 8.5 |
| 1922 | 25,000 | 7.9 | 100.5 | 7.9 | 92.0 | 8.6 |
| 1924 | 5,065 | 8.0 | 93.0 | 8.6 | 93.0 | 8.6 |
| 1927 | 12,305 | 7.0 | 98 5 | 7.1 | 90.1 | 7.8 |
| 1928 | 19,675 | 7.0 | 97.5 | 7.2 | 93.0 | 7.5 |
| Brazil: | | | | | | |
| 1919 | 5,000 | 6.0 | 86.5 | 6.9 | 86.5 | 6.9 |
| 1921 | 70,000 | 8.0 | 98.1 | 8.2 | 91.2 | 8.8 |
| 1922 | 30,000 | 7.2 | 97.3 | 7.4 | 91.8 | 7.9 |
| 1923 | 2,000 | 8.0 | 99.5 | 8.0 | (92.0) | (8.7) |
| 1925 | 8,724 | 8.0 | 99.5 | 8.0 | 92.8 | 8.6 |
| 1926 | 52,973 | 6.6 | 91.1 | 7.2 | 84.9 | 7.7 |
| 1927 | 52,080 | 6.7 | 94.2 | 7.1 | 89.2 | 7.5 |
| 1928 | 50,225 | 6.2 | 95.2 | 6.5 | (90.2) | (7.1) |
| 1929 | 10,898 | 6.5 | 88.9 | 7.3 | (83.9) | (7.8) |
| Chile: | | | | | | |
| 1921 | 34,500 | 8.0 | 99.2 | 8.1 | (94.2) | (8.5) |
| 1922 | 18,000 | 7.0 | 96.5 | 7.3 | 91.8 | 7.6 |
| 1926 | 36,000 | 6.0 | 93.3 | 6.4 | 89.1 | 6.7 |
| 1927 | 21,500 | 6.0 | 93.3 | 6.4 | 87.1 | 6.9 |
| 1928 | 55,912 | 6.0 | 93.6 | 6.4 | 89.6 | 6.7 |
| 1929 | 8,400 | 6.0 | 93.5 | 6.4 | 89.5 | 6.7 |
| Colombia: | | | | | | |
| 1922 | 1,801 | 6.8 | (93.0) | (7.3) | (86.0) | (7.9) |
| 1925 | 3,000 | 7.0 | 90.0 | 7.8 | 82.0 | 8.5 |
| 1926 | 24,500 | 7.3 | 94.6 | 7.7 | 85.5 | 8.5 |
| 1927 | 32,200 | 6.4 | 93.4 | 6.9 | 90.9 | 7.0 |
| 1928 | 55,183 | 6.4 | 94.8 | 6.8 | 90.7 | 7.1 |
| 1929 | 1,750 | 7.0 | 93.0 | 7.5 | 88.0 | 7.9 |

## Loan Prices and Effective Interest Rates—*Continued*

### long term—national and provincial—*Continued*

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Public | | Bankers | |
|---|---|---|---|---|---|---|
| | | | Issue Price | Effective Interest Rate | Price | Effective Interest Rate |
| SOUTH AMERICA (Cont'd.) | | | | | | |
| Peru: | | | | | | |
| 1922 | 2,500 | 8.0 | 100.0 | 8.0 | 95.0 | 8.4 |
| 1924 | 7,000 | 8.0 | 99.5 | 8.0 | (94.5) | (8.5) |
| 1925 | 7,500 | 7.5 | 97.8 | 7.7 | 90.0 | 8.3 |
| 1926 | 16,000 | 7.6 | 99.8 | 7.6 | 93.4 | 8.1 |
| 1927 | 53,960 | 6.3 | 92.8 | 6.7 | 87.0 | 7.2 |
| 1928 | 17,500 | 6.0 | 91.0 | 6.6 | 86.0 | 7.0 |
| Uruguay: | | | | | | |
| 1916 | 1,505 | 5.0 | 90.0 | 5.6 | (85.0) | (5.9) |
| 1921 | 7,500 | 8.0 | 98.5 | 8.1 | 94.0 | 8.5 |
| 1926 | 27,500 | 6.0 | 96.5 | 6.2 | 91.4 | 6.6 |
| OTHER LATIN AMERICA | | | | | | |
| Costa Rica: | | | | | | |
| 1926 | 8,000 | 7.0 | 95.5 | 7.3 | 88.0 | 8.0 |
| Cuba: | | | | | | |
| 1922 | 10,000 | 6.0 | 88.4 | 6.8 | (87.9) | (6.8) |
| 1923 | 50,000 | 5.5 | 99.3 | 5.5 | 96.8 | 5.7 |
| 1927 | 9,000 | 5.5 | 101.1 | 5.4 | 99.5 | 5.5 |
| 1928 | 10,000 | 5.5 | 99.8 | 5.5 | 98.2 | 5.6 |
| 1929 | 10,000 | 5.5 | 100.0 | 5.5 | 98.2 | 5.6 |
| Dominican Republic: | | | | | | |
| 1918 | 4,161 | 5.0 | (93.0) | (5.4) | (91.0) | (5.5) |
| 1922 | 6,700 | 5.5 | 94.5 | 5.8 | 90.5 | 6.1 |
| 1926 | 3,300 | 5.5 | 98.0 | 5.6 | 95.8 | 5.8 |
| 1927 | 5,000 | 5.5 | 100.0 | 5.5 | 98.1 | 5.6 |
| 1928 | 4,000 | 5.5 | 99.3 | 5.5 | 97.3 | 5.7 |
| Guatemala: | | | | | | |
| 1928 | 550 | 8.0 | 101.1 | 7.9 | (93.1) | (8.6) |
| Haiti: | | | | | | |
| 1922 | 16,000 | 6.0 | 96.5 | 6.2 | 92.1 | 6.5 |
| 1924 | 2,530 | 6.0 | (96.5) | (6.2) | (92.1) | (6.5) |
| 1925 | 1,743 | 6.0 | 96.0 | 6.3 | 81.3 | 7.4 |
| Panama: | | | | | | |
| 1915 | 1,200 | 5.0 | 100.5 | 5.0 | (96.5) | (5.2) |
| 1923 | 4,500 | 5.5 | 97.5 | 5.6 | 93.5 | 5.9 |
| 1926 | 4,800 | 6.5 | 103.0 | 6.3 | (99.0) | (6.6) |
| 1928 | 10,800 | 5.0 | 97.2 | 5.1 | 94.3 | 5.3 |
| Salvador: | | | | | | |
| 1923 | 6,000 | 8.0 | 100.0 | 8.0 | 90.0 | 8.9 |
| 1926 | 1,000 | 7.0 | 92.0 | 7.6 | (81.0) | (8.6) |
| OTHER COUNTRIES | | | | | | |
| Australia: | | | | | | |
| 1921 | 12,000 | 7.0 | 99.0 | 7.1 | 95.3 | 7.4 |
| 1922 | 10,000 | 6.0 | 96.5 | 6.2 | 93.8 | 6.4 |
| 1925 | 75,000 | 5.0 | 99.5 | 5.0 | 96.5 | 5.2 |
| 1927 | 85,200 | 5.0 | 97.1 | 5.2 | 94.4 | 5.3 |
| 1928 | 50,000 | 4.5 | 92.5 | 4.9 | 90.0 | 5.0 |
| China: | | | | | | |
| 1923 | 253[d] | 8.0 | (100.0) | (8.0) | (100.0) | (8.0) |
| Dutch East Indies: | | | | | | |
| 1922 | 100,000 | 6.0 | 95.0 | 6.3 | 91.3 | 6.6 |
| 1923 | 50,000 | 5.5 | 89.0 | 6.2 | 85.3 | 6.5 |

[d] Federal Telegraph.

## Loan Prices and Effective Interest Rates—*Continued*

### long term—national and provincial—*Continued*

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Public | | Bankers | |
|---|---|---|---|---|---|---|
| | | | Issue Price | Effective Interest Rate | Price | Effective Interest Rate |
| OTHER COUNTRIES Cont'd | | | | | | |
| Japan: | | | | | | |
| 1924 | 125,000 | 6.5 | 92.5 | 7.0 | 87.5 | 7.4 |
| Liberia: | | | | | | |
| 1927 | 2,192 | 7.0 | 90.0 | 7.8 | 90.0 | 7.8 |
| Philippine Islands: | | | | | | |
| 1920 | 6,000 | 5.5 | 103.5 | 5 3 | (101.5) | (5.4) |
| 1921 | 10,000 | 5.5 | 98.5 | 5.6 | (96 5) | (5.7) |
| 1922 | 37,750 | 4.6 | 99.5 | 4.6 | (97.5) | (4.7) |
| 1923 | 2,000 | 4.5 | 98.5 | 4.6 | (96.5) | (4.7) |
| 1924 | 1,500 | 4.5 | 98.7 | 4.6 | (96.7) | (4.7) |
| 1925 | 1,000 | 5.0 | 103.6 | 4.8 | (101.6) | (4.9) |
| 1926 | 330 | 4.5 | 100.6 | 4.5 | (98.6) | (4.6) |
| 1927 | 3,003 | 4.8 | 110 6 | 4.3 | (108.6) | (4.4) |
| 1928 | 2,110 | 4.5 | 107.9 | 4.2 | (105.9) | (4.3) |
| 1929 | 2,750 | 4.5 | 103.4 | 4.4 | (101.4) | (4.5) |

### II. long term—municipal

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Issue Price | Effective Interest Rate | Price | Effective Interest Rate |
|---|---|---|---|---|---|---|
| EUROPE | | | | | | |
| Austria: | | | | | | |
| 1925 | 2,500 | 8.0 | 98.0 | 8.2 | (92.0) | (8.7) |
| 1927 | 21,000 | 6.0 | 90.5 | 6.6 | 86.4 | 6.9 |
| Belgium: | | | | | | |
| 1928 | 8,000 | 5.0 | 94.0 | 5.3 | 90.7 | 5.5 |
| Czechoslovakia: | | | | | | |
| 1922 | 7,500 | 7.5 | 92.5 | 8.1 | 86.5 | 8.7 |
| 1924 | 1,500 | 8.0 | 94.5 | 8.5 | (84.5) | (9.5) |
| Denmark: | | | | | | |
| 1919 | 15,000 | 5.5 | 93.5 | 5.9 | 90.0 | 6.1 |
| 1921 | 15,000 | 8.0 | 98.0 | 8.2 | 93.3 | 8.6 |
| 1925 | 7,000 | 5.5 | 99.8 | 5.5 | (97.5) | (5.6) |
| 1927 | 15,000 | 5.0 | 97.3 | 5.1 | 94.3 | 5.3 |
| 1928 | 14,000 | 4.6 | 94.8 | 4.8 | 92.4 | 5.0 |
| Finland: | | | | | | |
| 1924 | 7,000 | 6.5 | 91.0 | 7.1 | 86.0 | 7.6 |
| France: | | | | | | |
| 1919 | 22,221 | 6.0 | 92.5 | 6.5 | 88.0 | 6.8 |
| 1921 | 22,779 | 6.0 | 86.5 | 6.9 | 81.5 | 7.4 |
| 1922 | 6,000 | 6.0 | 85.5 | 7.0 | (80.5) | (7.5) |
| Germany: | | | | | | |
| 1925 | 57,400 | 6.8 | 93.3 | 7.3 | (86.7) | (7.9) |
| 1926 | 30,650 | 7.0 | 95.4 | 7.3 | (90.3) | (7 8) |
| 1927 | 8,000 | 6.0 | 94.4 | 6.4 | (90.4) | (6.6) |
| 1928 | 24,250 | 6.2 | 95.7 | 6.5 | (91.7) | (6.8) |
| 1929 | 3,500 | 7.0 | 98.0 | 7.1 | (94.0) | (7.5) |
| Hungary: | | | | | | |
| 1925 | 10,000 | 7.5 | 89.0 | 8.4 | 81.5 | 9.2 |
| 1926 | 6,000 | 7.0 | 93.5 | 7.5 | 87.4 | 8.0 |
| 1927 | 10,750 | 6.0 | 92.0 | 6.5 | (86.0) | (7.0) |
| Italy: | | | | | | |
| 1927 | 54,990 | 6.5 | 91.5 | 7.1 | 87.7 | 7.4 |

LOAN PRICES AND EFFECTIVE INTEREST RATES—*Continued*

LONG TERM—MUNICIPAL—*Continued*

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Public | | Bankers | |
|---|---|---|---|---|---|---|
| | | | Issue Price | Effective Interest Rate | Price | Effective Interest Rate |
| EUROPE (Cont'd) | | | | | | |
| Netherlands: | | | | | | |
| 1924 | 6,000 | 6.0 | 98.0 | 6.1 | 94.3 | 6.4 |
| Norway: | | | | | | |
| 1920 | 9,000 | 8.0 | 98.6 | 8.1 | (92.6) | (8.6) |
| 1924 | 6,500 | 6.2 | 97.2 | 6.4 | (93.9) | (6.6) |
| 1925 | 8,000 | 6.0 | 99.5 | 6.0 | 97.0 | 6.2 |
| 1926 | 4,000 | 5.5 | 97.0 | 5.7 | 94.0 | 5.9 |
| 1927 | 2,750 | 5.5 | 97.8 | 5.6 | (93.8) | (5.9) |
| Poland: | | | | | | |
| 1928 | 8,000 | 7.0 | 89.0 | 7.9 | (81.0) | (8.6) |
| Switzerland: | | | | | | |
| 1920 | 12,000 | 8.0 | 99.3 | 8.1 | 94.6 | 8.5 |
| CANADA AND NEWFOUNDLAND | | | | | | |
| 1915 | 14,622 | 4.7 | (93.6) | (5.0) | (87.0) | (5.4) |
| 1916 | 23,752 | 5.1 | (97.2) | (5.3) | (94.6) | (5.4) |
| 1917 | 2,609 | 4.8 | 94.1 | 5.1 | (91.0) | (5.3) |
| 1918 | 2,375 | 5.8 | (93.0) | (6.2) | (90.0) | (6.4) |
| 1919 | 3,227 | 5.2 | (97.0) | (5.4) | 93.9 | 5.5 |
| 1920 | 9,120 | 5.9 | (96.3) | (6.1) | (94.2) | (6.3) |
| 1921 | 23,701 | 5.4 | 93.0 | 5.8 | 90.4 | 5.9 |
| 1922 | 48,717 | 5.1 | 97.8 | 5.2 | (95.6) | (5.4) |
| 1923 | 16,733 | 5.0 | 98.0 | 5.1 | 95.5 | 5.2 |
| 1924 | 28,201 | 5.0 | 93.5 | 5.3 | 91.3 | 5.5 |
| 1925 | 2,400 | 4.5 | 96.4 | 4.7 | 94.0 | 4.8 |
| 1926 | 23,437 | 4.6 | 96.2 | 4.8 | (94.7) | (4.8) |
| 1927 | 27,840 | 4.5 | 98.7 | 4.6 | 97.5 | 4.6 |
| 1928 | 550 | 4.7 | 101.1 | 4.7 | 95.3 | 5.0 |
| 1929 | 30,031 | 4.9 | 98.2 | 4.9 | 96.8 | 5.0 |
| SOUTH AMERICA | | | | | | |
| Argentina: | | | | | | |
| 1924 | 8,490 | 6.5 | 96.5 | 6.7 | (90.0) | (7.2) |
| 1927 | 10,986 | 6.8 | 97.3 | 7.0 | (93.1) | (7.3) |
| 1928 | 6,792 | 6.5 | 97.5 | 6.7 | (94.8) | (6.9) |
| Brazil: | | | | | | |
| 1916 | 5,500 | 6.0 | 98.0 | 6.1 | (90.5) | (6.6) |
| 1919 | 18,500 | 6.0 | 96.4 | 6.2 | (88.4) | (6.8) |
| 1921 | 12,000 | 8.0 | 97.8 | 8.2 | 91.0 | 8.8 |
| 1922 | 20,500 | 8.0 | 101.7 | 7.9 | 94.2 | 8.5 |
| 1926 | 4,000 | 7.5 | 96.0 | 7.8 | 88.3 | 8.5 |
| 1927 | 9,900 | 6.7 | 97.6 | 6.9 | (94.6) | (7.1) |
| 1928 | 26,500 | 6.5 | 96.1 | 6.7 | (90.6) | (7.2) |
| Chile: | | | | | | |
| 1915 | 480 | 6.0 | (93.0) | (6.5) | (88.0) | (6.9) |
| 1926 | 851 | 8.0 | 104.7 | 7.6 | (100.7) | (7.9) |
| 1928 | 4,000 | 7.0 | 100.3 | 7.0 | 96.3 | 7.3 |
| 1929 | 14,000 | 7.0 | 94.0 | 7.5 | (90.0) | (7.8) |
| Colombia: | | | | | | |
| 1924 | 9,000 | 8.0 | 98.0 | 8.2 | 89.3 | 9.0 |
| 1925 | 1,000 | 8.0 | 99.5 | 8.0 | 86.5 | 9.3 |
| 1927 | 8,200 | 6.9 | 92.9 | 7.4 | 87.9 | 7.9 |
| 1928 | 10,135 | 6.6 | 93.9 | 7.0 | 89.1 | 7.4 |
| Peru: | | | | | | |
| 1928 | 3,000 | 6.5 | 93.0 | 7.0 | (87.3) | (7.5) |
| Uruguay: | | | | | | |
| 1922 | 6,000 | 7.0 | 97.0 | 7.2 | 91.5 | 7.7 |
| 1926 | 4,171 | 6.0 | 93.5 | 6.4 | 90.0 | 6.7 |

Loan Prices and Effective Interest Rates—*Continued*

long term—municipal—*Continued*

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Public: Issue Price | Public: Effective Interest Rate | Bankers: Price | Bankers: Effective Interest Rate |
|---|---|---|---|---|---|---|
| OTHER LATIN AMERICA | | | | | | |
| Panama: | | | | | | |
| 1927 | 500 | 6.5 | 100.0 | 6.5 | (96.5) | (6.9) |
| OTHER COUNTRIES | | | | | | |
| Australia: | | | | | | |
| 1927 | 7,500 | 5.0 | 96.0 | 5.2 | 93.5 | 5.4 |
| 1928 | 6,500 | 5.0 | 94.3 | 5.3 | 92.8 | 5.4 |
| Japan: | | | | | | |
| 1926 | 19,740 | 6.0 | 93.0 | 6.5 | 89.0 | 6.7 |
| 1927 | 20,640 | 5.5 | 89.5 | 6.1 | 86.0 | 6.4 |
| Philippine Islands: | | | | | | |
| 1929 | 500 | 4.5 | 101.8 | 4.4 | (99.8) | (4.6) |

III. LONG TERM—CORPORATE

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Public: Issue Price | Public: Effective Interest Rate | Bankers: Price | Bankers: Effective Interest Rate |
|---|---|---|---|---|---|---|
| EUROPE | | | | | | |
| Austria: | | | | | | |
| 1924 | 3,000 | 6.5 | 85.0 | 7.6 | 68.7 | 9.5 |
| 1925 | 8,000 | 7.2 | 93.1 | 7.7 | 81.5 | 8.8 |
| 1927 | 3,000 | 7.0 | 97.5 | 7.2 | 88.0 | 8.0 |
| Belgium: | | | | | | |
| 1920 | 10,000 | 8.0 | 100.0 | 8.0 | 94.0 | 8.5 |
| 1924 | 10,000 | 6.0 | 99.5 | 6.0 | 96.6 | 6.2 |
| Czechoslovakia: | | | | | | |
| 1925 | 4,000 | 7.5 | 95.8 | 7.8 | 83.3 | 9.1 |
| 1927 | 1,500 | 7.0 | 97.3 | 7.2 | 91.5 | 7.7 |
| Denmark: | | | | | | |
| 1922 | 5,000 | 6.0 | 95.2 | 6.3 | 89.5 | 6.7 |
| 1925 | 9,000 | 6.0 | 98.3 | 6.1 | (96.4) | (6.2) |
| 1927 | 4,946 | 5.0 | 96.5 | 5.2 | (95.0) | (5.3) |
| 1929 | 3,575 | 5.0 | 94.7 | 5.3 | 92.0 | 5.4 |
| Finland: | | | | | | |
| 1924 | 12,000 | 7.0 | 95.0 | 7.4 | 89.0 | 7.9 |
| 1928 | 7,000 | 6.0 | 94.5 | 6.3 | 91.7 | 6.5 |
| France: | | | | | | |
| 1922 | 50,000 | 6.3 | 86.3 | 7.3 | 82.1 | 7.7 |
| 1924 | 54,815 | 6.9 | 91.5 | 7.5 | (86.2) | (8.0) |
| 1925 | 18,670 | 7.0 | 87.5 | 8.0 | 82.5 | 8.5 |
| 1927 | 2,750 | 6.0 | 91.5 | 6.6 | (85.0) | (7.1) |
| 1928 | 10,750 | 5.5 | 96.0 | 5.7 | (91.0) | (6.0) |
| Germany: | | | | | | |
| 1925 | 118,747 | 6.8 | 93.0 | 7.3 | 87.7 | 7.8 |
| 1926 | 190,439 | 6.7 | 95.6 | 7.0 | 90.5 | 7.4 |
| 1927 | 147,758 | 6.0 | 95.0 | 6.3 | 91.7 | 6.5 |
| 1928 | 226,103 | 6.1 | 95.1 | 6.5 | 91.4 | 6.7 |
| 1929 | 29,796 | 6.3 | 93.1 | 6.8 | 88.4 | 7.1 |
| Hungary: | | | | | | |
| 1925 | 3,000 | 7.0 | 88.0 | 8.0 | 72.0 | 9.7 |
| 1926 | 3,000 | 7.5 | 95.0 | 7.9 | 88.0 | 8.5 |
| 1927 | 4,000 | 7.2 | 99.1 | 7.3 | (96.3) | (7.5) |
| 1928 | 19,350 | 7.2 | 96.2 | 7.5 | (90.5) | (7.9) |

Loan Prices and Effective Interest Rates—*Continued*

long term—corporate—*Continued*

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Public | | Bankers | |
|---|---|---|---|---|---|---|
| | | | Issue Price | Effective Interest Rate | Price | Effective Interest Rate |
| EUROPE (Cont'd.) | | | | | | |
| Italy: | | | | | | |
| 1924 | 4,000 | 6.5 | 93.8 | 6.9 | (89.8) | (7.2) |
| 1925 | 10,985 | 6.4 | 94.0 | 6 8 | (90.1) | (7 1) |
| 1926 | 38,248 | 7.0 | 94.0 | 7.4 | (88.6) | (7.9) |
| 1927 | 53,250 | 7 0 | 95.4 | 7.3 | (90.1) | (7.8) |
| 1928 | 50,900 | 6.4 | 96.5 | 6.6 | (91.4) | (7.0) |
| 1929 | 8,110 | 6.5 | 93.7 | 7.0 | (88.1) | (7.4) |
| Luxembourg: | | | | | | |
| 1926 | 7,500 | 7.0 | 92.5 | 7.6 | 86.0 | 8.1 |
| Norway: | | | | | | |
| 1927 | 26,715 | 5 4 | 95.6 | 5.6 | 91.6 | 5.9 |
| 1928 | 6,000 | 5.0 | 95.3 | 5.2 | 92.5 | 5.4 |
| Poland: | | | | | | |
| 1924 | 5,000 | 8.0 | (95.0) | (8.4) | (95.0) | (8.4) |
| 1925 | 9,714 | 8.0 | (95.0) | (8.4) | (95 0) | (8 4) |
| 1926 | 2,750 | 8.0 | (95.0) | (8.4) | (95.0) | (8.4) |
| Sweden: | | | | | | |
| 1923 | 15,000 | 6.5 | 94.5 | 6.9 | (90.0) | (7.2) |
| 1927 | 50,000 | 5.0 | 98.5 | 5.1 | (95 5) | (5.2) |
| 1929 | 26,100 | 5.0 | 98.0 | 5.1 | 94.5 | 5.3 |
| Yugoslavia: | | | | | | |
| 1927 | 12,000 | 7.0 | 92.0 | 7.6 | 87.0 | 8 0 |
| CANADA AND NEWFOUNDLAND | | | | | | |
| 1915 | 16,840 | 4.7 | (99.7) | (4.8) | (97.1) | (4.9) |
| 1916 | 19,182 | 5.4 | (94.7) | (5.7) | (90.9) | (5.9) |
| 1917 | 12,950 | 5.3 | 96.2 | 5.6 | (92.4) | (5.8) |
| 1918 | 5,500 | 6.1 | 93.8 | 6.5 | (90 3) | (6.8) |
| 1919 | 45,740 | 6.0 | 98.9 | 6.1 | (95.8) | (6.3) |
| 1920 | 91,049 | 6.8 | 99.0 | 6.8 | 95.3 | 7.1 |
| 1921 | 79,915 | 6.4 | 95.0 | 6.7 | 91.3 | 7.1 |
| 1922 | 53,447 | 5.4 | 86.1 | 6.3 | (84.0) | (6.4) |
| 1923 | 45,856 | 5.9 | 96.3 | 6.1 | (92.5) | (6.3) |
| 1924 | 61,621 | 4.8 | 95.0 | 5.1 | (92.6) | (5.2) |
| 1925 | 34,561 | 5.3 | 96.1 | 5.5 | (92.8) | (5.7) |
| 1926 | 85,350 | 5.4 | 98.4 | 5.5 | (95.0) | (5.7) |
| 1927 | 93,026 | 4.8 | 98.0 | 4.9 | 95.4 | 5.0 |
| 1928 | 112,056 | 5.0 | 96.8 | 5.1 | (93.3) | (5.3) |
| 1929 | 139,749 | 5.0 | 98.3 | 5.1 | 96.1 | 5.2 |
| SOUTH AMERICA | | | | | | |
| Argentina: | | | | | | |
| 1917 | 15,000 | 6.0 | 100.0 | 6.0 | 97.0 | 6.2 |
| 1920 | 700 | 5.0 | 100.0 | 5.0 | 100.0 | 5.0 |
| 1921 | 5,175 | 5.0 | 100.0 | 5.0 | 100.0 | 5.0 |
| 1922 | 1,097 | 5.0 | 100.0 | 5.0 | 100.0 | 5 0 |
| 1923 | 136 | 5.0 | 100.0 | 5.0 | 100.0 | 5.0 |
| Brazil: | | | | | | |
| 1922 | 4,000 | 7.0 | 99.0 | 7.1 | 90.0 | 7.8 |
| Chile: | | | | | | |
| 1925 | 18,330 | 6.5 | 97.4 | 6.7 | 93.0 | 7.0 |
| 1926 | 18,330 | 6.8 | 99.3 | 6.8 | 95.4 | 7.1 |
| 1928 | 20,000 | 6.0 | 95.8 | 6.3 | 91.8 | 7.1 |
| 1929 | 20,000 | 6.0 | 92.0 | 6.5 | 89.5 | 7.3 |

## Loan Prices and Effective Interest Rates—*Continued*

### long term—corporate—*Continued*

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Public | | Bankers | |
|---|---|---|---|---|---|---|
| | | | Issue Price | Effective Interest Rate | Price | Effective Interest Rate |
| SOUTH AMERICA (Cont'd ) | | | | | | |
| Colombia: | | | | | | |
| 1926.. .. | 9,000 | 7 0 | 95.2 | 7.4 | (86.0) | (8.1) |
| 1927.. | 23,000 | 6 7 | 94 3 | 7.1 | 88.4 | 7.5 |
| 1928.. | 6,050 | 6.2 | 93.7 | 6.6 | 88 2 | 6.9 |
| Venezuela: | | | | | | |
| 1928.. .. . | 10,000 | 6.0 | 100.0 | 6.0 | 97.0 | 6.2 |
| OTHER LATIN AMERICA | | | | | | |
| Costa Rica: | | | | | | |
| 1927.. ... .. | 1,800 | 7.5 | 100 0 | 7.5 | (96.0) | (7.8) |
| Mexico: | | | | | | |
| 1921.. .... . | 1,000 | 8.0 | 97.5 | 8.2 | (95.0) | (8.4) |
| Panama: | | | | | | |
| 1925 . . ... | 1,000 | 6.5 | 100.8 | 6.5 | (99.0) | (6.6) |
| 1927 . .. .. | 1,000 | 6.5 | 101.5 | 6.4 | (99.0) | (6.6) |
| OTHER COUNTRIES | | | | | | |
| Australia: | | | | | | |
| 1922... .. | 2,500 | 7.5 | 99.0 | 7.4 | 94.2 | 8.0 |
| China: | | | | | | |
| 1921.. . ... | 1,500 | (6.0) | 100.0 | 6.0 | 100.0 | 6.0 |
| Dutch East Indies: | | | | | | |
| 1927.. . . | 24,350 | 4.5 | 96.3 | 4.7 | 94.3 | 4.8 |
| Japan: | | | | | | |
| 1923 | 19,900 | 6.0 | 92.0 | 6.5 | 87.0 | 6.9 |
| 1924 ... | 14,555 | 7.0 | 91 5 | 7.7 | 80.0 | 8.8 |
| 1925 . .. | 42,445 | 6.8 | 89 2 | 7.7 | 83.0 | 8.2 |
| 1927 . | 6,974 | 6.5 | 93.3 | 7.0 | 89.0 | 7.3 |
| 1928.... | 97,900 | 5 9 | 90.7 | 6 5 | 86.8 | 6.8 |
| Philippine Islands: | | | | | | |
| 1916.. . ... | 4,000 | 4 0 | 100.8 | 4.0 | (98.8) | (4.1) |
| 1922. . | 1,450 | 7.0 | 112.3 | 6.2 | (106.0) | (6.6) |

### IV. SHORT TERM—NATIONAL AND PROVINCIAL GOVERNMENT

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Public Issue Price | Public Effective Interest Rate | Bankers Price | Bankers Effective Interest Rate |
|---|---|---|---|---|---|---|
| EUROPE | | | | | | |
| Austria: | | | | | | |
| 1928.... .... | 3,500 | 6.0 | 98.5 | 6.1 | (96.5) | (6.2) |
| Belgium: | | | | | | |
| 1919. . . . . | 11,600 | 6.0 | (96.5) | (6.2) | (93.8) | (6.4) |
| 1920. . | 33,297 | 6.0 | 97.4 | 6.2 | 95.4 | 6.3 |
| 1921. . .. | 4,404 | 6.0 | 95.2 | 6.3 | 92.2 | 6.5 |
| 1926.. . | 1,500 | 6.0 | (100.0) | (6.0) | (100.0) | (6.0) |
| France: | | | | | | |
| 1915.. .... . ... | 300,000 | 5.0 | 98.3 | 5.1 | 96.3 | 5 2 |
| 1916.. .... . . | 100,000 | 5.0 | 98.0 | 5.1 | (96.0) | (5.2) |
| 1917.. . . .. | 109,244 | 5.5 | 99.1 | 5.6 | 97.3 | 5.7 |
| Germany: | | | | | | |
| 1915........ .... | 10,000 | 5.0 | 99.7 | 5.0 | (99.7) | (5.0) |
| 1926.. . . ... | 5,000 | 5.5 | 99.8 | 5.5 | (99.5) | (5.5) |
| 1927.... ........ | 33,000 | 5.9 | 96.8 | 6.1 | 94.4 | 6.2 |

LOAN PRICES AND EFFECTIVE INTEREST RATES—*Continued*

SHORT TERM—NATIONAL AND PROVINCIAL GOVERNMENT—*Continued*

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Public | | Bankers | |
|---|---|---|---|---|---|---|
| | | | Issue Price | Effective Interest Rate | Price | Effective Interest Rate |
| EUROPE (Cont'd.) | | | | | | |
| Great Britain: | | | | | | |
| 1915 | 250,000 | 5.0 | 98.0 | 5 1 | 96.0 | 5 2 |
| 1916 | 550,000 | 5.3 | 98.9 | 5.3 | 97.7 | 5.4 |
| 1917 | 367,677 | 5.5 | 99.5 | 5.5 | 98.1 | 5.6 |
| Greece: | | | | | | |
| 1925 | 500 | 8.0 | 95.0 | 8.4 | 95.0 | 8.4 |
| Italy: | | | | | | |
| 1915 | 25,000 | 6.0 | 100.0 | 6.0 | 98.5 | 6.1 |
| 1920 | 11,311 | 6.5 | 97.5 | 6.7 | (95.5) | (6.8) |
| Russia: | | | | | | |
| 1916 | 75,000 | 6.2 | 98.3 | 6.3 | 96.6 | 6 4 |
| 1919 | 22,500 | 6.0 | 100.0 | 6.0 | (98.3) | (6.1) |
| Sweden: | | | | | | |
| 1916 | 5,000 | 6.0 | 100.0 | 6 0 | (98.0) | (6.1) |
| 1924 | 10,000 | 5.0 | (100.0) | (5.0) | (99.5) | (5.0) |
| Switzerland: | | | | | | |
| 1915 | 15,000 | 5.0 | 97.5 | 5.1 | 96.3 | 5 2 |
| 1923 | 20,000 | 5.0 | 97.3 | 5.1 | 95.0 | 5.3 |
| Yugoslavia: | | | | | | |
| 1924 | 3,000 | 6 0 | 100.0 | 6.0 | (99.0) | (6.1) |
| 1925 | 6,000 | 6.0 | 100.0 | 6.0 | (99.0) | (6.1) |
| 1926 | 6,000 | 6.0 | 100.0 | 6.0 | (99.0) | (6 1) |
| 1927 | 3,000 | 6.0 | 100.0 | 6 0 | (99.0) | (6.1) |
| CANADA AND NEWFOUNDLAND | | | | | | |
| 1915 | 74,125 | 4.9 | 99.6 | 4.9 | (98.3) | (5 0) |
| 1916 | 6,800 | 5.0 | 99.5 | 5.0 | 97.8 | 5.1 |
| 1917 | 102,000 | 5.0 | 98.0 | 5.1 | (96.0) | (5.2) |
| 1919 | 22,200 | 5.3 | 98.7 | 5.4 | (95.8) | (5.6) |
| 1920 | 63,445 | 5.9 | (96.7) | (6.1) | 92.7 | 6.3 |
| 1921 | 12,000 | 5.9 | 93.5 | 6.3 | (90.8) | (6.5) |
| 1922 | 10,750 | 5.3 | 99.7 | 5.3 | 98.1 | 5 4 |
| 1923 | 15,750 | 5.0 | 99.7 | 5.0 | 99.2 | 5.0 |
| 1924 | 103,000 | 4.0 | 99.9 | 4.0 | 99.6 | 4.0 |
| 1925 | 107,775 | 4.0 | 99.7 | 4.0 | 99.4 | 4.0 |
| 1926 | 35,604 | 4.2 | 99.8 | 4.2 | 99.2 | 4.2 |
| 1927 | 32,050 | 4.1 | (100.0) | (4.1) | (99 5) | (4.1) |
| 1928 | 2,850 | 4.0 | 100.0 | 4.0 | 99.8 | 4.0 |
| 1929 | 6,000 | 5.5 | 100.0 | 5.5 | 99.3 | 5.5 |
| SOUTH AMERICA | | | | | | |
| Argentina: | | | | | | |
| 1915 | 30,000 | 6.0 | 99.0 | 6.1 | (98.0) | (6.1) |
| 1918 | 800 | 6.0 | 96.3 | 6.2 | (95.3) | (6.3) |
| 1921 | 63,000 | 6.8 | 99.7 | 6.8 | 97.6 | 7.0 |
| 1922 | 27,000 | 7.0 | 99.0 | 7.1 | 95.0 | 7.4 |
| 1923 | 55,000 | 6.0 | 99.5 | 6.0 | 98.1 | 6.1 |
| 1924 | 57,000 | 5.2 | 99.9 | 5.2 | 99.4 | 5.2 |
| 1925 | 30,600 | 4.4 | 100.0 | 4.4 | 99.4 | 4.5 |
| 1927 | 2,631 | 6.0 | 100.0 | 6.0 | (99.0) | (6.1) |
| 1928 | 1,350 | 6.0 | 100.0 | 6.0 | 99.3 | 6.0 |
| 1929 | 1,500 | 6.0 | 100.0 | 6.0 | (99.0) | (6.1) |
| Bolivia: | | | | | | |
| 1915 | 1,000 | 6.0 | (96.5) | (6.2) | (94.0) | (6.4) |

## Loan Prices and Effective Interest Rates—*Continued*

### short term—national and provincial government—*Continued*

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Public: Issue Price | Public: Effective Interest Rate | Bankers: Price | Bankers: Effective Interest Rate |
|---|---|---|---|---|---|---|
| SOUTH AMERICA (Cont'd.) | | | | | | |
| Chile: | | | | | | |
| 1921 | 9,500 | 8 0 | 99.0 | 8.1 | (98 0) | (8.2) |
| 1926 | 10,000 | 5.0 | 99.9 | 5 0 | (98.9) | (5.1) |
| Colombia: | | | | | | |
| 1919 | 600 | (6.0) | (100.0) | (6 0) | (100.0) | (6.0) |
| 1920 | 605 | (6 0) | (100.0) | (6.0) | (100.0) | (6.0) |
| 1922 | 5,000 | 6.5 | 98.0 | 6.6 | (96.0) | (6.8) |
| 1926 | 10,000 | 5.5 | (98.0) | (5.6) | (96.0) | (5.7) |
| Uruguay: | | | | | | |
| 1916 | 4,000 | 6.0 | 100.0 | 6 0 | 100.0 | 6 0 |
| 1922 | 2,300 | 6 0 | 100.0 | 6.0 | 99.7 | 6.0 |
| OTHER LATIN AMERICA | | | | | | |
| Cuba: | | | | | | |
| 1915 | 6,723 | 6.0 | 100.0 | 6.0 | (92.8) | (6 5) |
| Dominican Republic: | | | | | | |
| 1921 | 2,500 | 8.0 | 100.0 | 8.0 | 96.0 | 8.3 |
| 1924 | 2,500 | 5.5 | 100.0 | 5.5 | 98.5 | 5.6 |
| Honduras: | | | | | | |
| 1928 | 1,500 | 7.0 | (100.0) | (7.0) | (100.0) | (7.0) |
| Salvador: | | | | | | |
| 1926 | 520 | 6 5 | 99.8 | 6.5 | (98.1) | (6.7) |
| OTHER COUNTRIES | | | | | | |
| China: | | | | | | |
| 1916 | 7,836 | 6.0 | 97.7 | 6.1 | 93.2 | 6 4 |
| 1918 | 905 | (6.0) | (100.0) | (6.0) | (100 0) | (6.0) |
| 1919 | 11,000 | 6.0 | 94.6 | 6.3 | (91.6) | (6.6) |
| 1920 | 130 | (6.0) | (100.0) | (6.0) | (100.0) | (6.0) |
| Philippine Islands: | | | | | | |
| 1919 | 10,000 | 4.0 | 99 3 | 4.0 | (97.3) | (4.1) |
| 1920 | 10,000 | 4.0 | 96.6 | 4.1 | (94.6) | (4 2) |
| 1921 | 10,000 | 4.0 | 98.1 | 4.1 | (96.1) | (4.2) |

### V. short term—municipal

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Public: Issue Price | Public: Effective Interest Rate | Bankers: Price | Bankers: Effective Interest Rate |
|---|---|---|---|---|---|---|
| EUROPE | | | | | | |
| France: | | | | | | |
| 1916 | 86,000 | 6.0 | 98.4 | 6.1 | (96.9) | (6.2) |
| 1927 | 1,000 | 6.0 | 98.7 | 6.1 | (98.7) | (6.1) |
| Germany: | | | | | | |
| 1924 | 5,000 | 7.0 | (99.5) | (7.0) | (99.5) | (7.0) |
| 1926 | 3,200 | 5.5 | 99.5 | 5.5 | 98.6 | 5 6 |
| CANADA AND NEWFOUNDLAND | | | | | | |
| 1915 | 30,518 | 5.3 | (99.3) | (5.3) | (98.3) | (5.4) |
| 1916 | 10,284 | 5.7 | (99.1) | (5.7) | (98.1) | (5.8) |
| 1917 | 9,914 | 5.3 | (94 7) | (5.6) | (93.2) | (5.7) |
| 1918 | 1,380 | 5.5 | (91.5) | (6.0) | (91.0) | (6.1) |
| 1919 | 5,816 | 6.0 | (98.8) | (6.1) | (97.8) | (6.1) |
| 1920 | 7,066 | 5.8 | (89.3) | (6.5) | (85.9) | (6.8) |
| 1921 | 250 | 6.0 | (90.0) | (6.7) | (87.0) | (6.9) |
| 1922 | 8,100 | 5.5 | (99.0) | (5.6) | (98.0) | (5.6) |
| 1923 | 1,010 | 5.0 | 99.4 | 5.0 | 99.4 | 5.0 |
| 1924 | 2,435 | 5.1 | 98.2 | 5.2 | 97.0 | 5.3 |
| 1925 | 673 | 4.0 | (99.6) | (4.0) | 99.4 | 4.0 |

## Loan Prices and Effective Interest Rates—*Continued*

### SHORT TERM—MUNICIPAL—*Continued*

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Public | | Bankers | |
|---|---|---|---|---|---|---|
| | | | Issue Price | Effective Interest Rate | Price | Effective Interest Rate |
| SOUTH AMERICA | | | | | | |
| Brazil: | | | | | | |
| 1928 | 1,770 | 6.0 | 99.0 | 6.1 | (96.0) | (6.2) |
| Chile: | | | | | | |
| 1927 | 1,000 | 6.0 | 100.9 | 6.0 | 100.0 | 6.0 |
| Colombia: | | | | | | |
| 1920 | 2,500 | 6.0 | (98.0) | (6.1) | (96.0) | (6.3) |

### VI. SHORT TERM—CORPORATE

| | | | | | | |
|---|---|---|---|---|---|---|
| EUROPE | | | | | | |
| Belgium: | | | | | | |
| 1919 | 10,000 | 4.3 | (100.0) | (4.3) | (100.0) | (4.3) |
| Germany: | | | | | | |
| 1924 | 9,000 | 7.0 | 99.2 | 7.1 | 95.1 | 7.4 |
| 1925 | 17,900 | 7.0 | 98.4 | 7.1 | 93.9 | 7.5 |
| 1926 | 8,000 | 6.3 | 99.2 | 6.3 | 97.1 | 6.4 |
| 1927 | 35,850 | 9.5 | 99.2 | 6.0 | 96.7 | 6.1 |
| 1928 | 4,000 | 5.9 | 98.3 | 6.0 | (95 6) | (6.2) |
| 1929 | 600 | 6.0 | 99.0 | 6.1 | (95.4) | (6.3) |
| Great Britain: | | | | | | |
| 1920 | 15,000 | 7.5 | 100.0 | 7.5 | (98.5) | (7.6) |
| 1925 | 15,500 | 4.7 | 100.0 | 4.7 | (98.5) | (4.8) |
| 1926 | 6,000 | 4.5 | 99.4 | 4.5 | (97.9) | (4.6) |
| 1927 | 2,500 | 4.5 | 100.0 | 4.5 | 98.7 | 4.5 |
| Hungary: | | | | | | |
| 1927 | 1,000 | 7.5 | 100.5 | 7.5 | (97.5) | (7.7) |
| Italy: | | | | | | |
| 1923 | 2,000 | 6.5 | 99.0 | 6.6 | (97.5) | (6.7) |
| 1926 | 1,500 | 6.5 | 99.5 | 6.5 | (98.0) | (6.7) |
| 1928 | 4,000 | 5.5 | 99.8 | 5.5 | (98.0) | (5.6) |
| Norway: | | | | | | |
| 1924 | 1,400 | 5.0 | 100.3 | 5.0 | (98.3) | (5.1) |
| Yugoslavia: | | | | | | |
| 1928 | 2,000 | 7.0 | (95.0) | (7.4) | (95.0) | (7.4) |
| CANADA AND NEWFOUNDLAND | | | | | | |
| 1915 | 27,350 | 5.4 | 98.9 | 5.5 | (95.9) | (5.7) |
| 1916 | 19,610 | 5.5 | 100.2 | 5.5 | (98.6) | (5.6) |
| 1917 | 26,750 | 6.0 | 99.8 | 6.1 | (95.8) | (6.2) |
| 1918 | 2,300 | 6.6 | (98.7) | (6.7) | (95.7) | (6.9) |
| 1919 | 4,590 | 6.5 | 99.7 | 6.5 | (96.7) | (6.7) |
| 1920 | 12,600 | 5.6 | 95.6 | 5.8 | 91.9 | 6.1 |
| 1922 | 11,200 | 5.0 | 99.6 | 5.1 | 99.0 | 5.1 |
| 1924 | 21,150 | 4.2 | 98.9 | 4.2 | 98.1 | 4 2 |
| 1925 | 12,600 | 4.7 | 100.0 | 4.7 | 99.0 | 4.7 |
| 1926 | 3,750 | 5.0 | 99.9 | 5.0 | (98.3) | (5.1) |
| 1927 | 2,000 | 6.0 | 100.0 | 6.0 | (97.0) | (6.2) |
| 1929 | 650 | 5.0 | (99.0) | (5.0) | (96.0) | (5.2) |

LOAN PRICES AND EFFECTIVE INTEREST RATES—*Continued*

SHORT TERM—CORPORATE—*Continued*

| Domicile of Borrowers (Calendar years) | Total Face Value (In thousands of dollars) | Nominal Interest Rate | Public | | Bankers | |
|---|---|---|---|---|---|---|
| | | | Issue Price | Effective Interest Rate | Price | Effective Interest Rate |
| SOUTH AMERICA | | | | | | |
| Argentina. | | | | | | |
| 1925.... . . | 350 | 6.0 | 100.0 | 6.0 | (99.0) | (6 1) |
| Brazil: | | | | | | |
| 1916 . | 7,500 | 6.0 | 99.0 | 6.1 | 96.0 | 6.3 |
| 1919.. . | 7,366 | 6.0 | 97.5 | 6.2 | 92.5 | 6.5 |
| Chile: | | | | | | |
| 1916 | 3,000 | 6.0 | 99 0 | 6.1 | 98 0 | 6.1 |
| 1925.. . . | 10,000 | 6.0 | 98.8 | 6.1 | 95.5 | 6 3 |
| OTHER LATIN AMERICA | | | | | | |
| Mexico: | | | | | | |
| 1921.. .... . . | 2,802 | (6.0) | 100.0 | 6 0 | 100.0 | 6 0 |
| 1922 . .. . | 106 | (6.0) | 100.0 | 6 0 | 100.0 | 6.0 |
| 1924. . | 1,377 | (6.0) | 100.0 | 6.0 | 100.0 | 6.0 |
| 1927 . . | 242 | (6.0) | 100.0 | 6.0 | 100.0 | 6.0 |
| OTHER COUNTRIES | | | | | | |
| Australia: | | | | | | |
| 1917.. ........ . | 1,250 | 6.0 | 96.7 | 6.2 | 91.8 | 6 5 |
| China: | | | | | | |
| 1921.. . .... | 1,300 | (6.0) | 100.0 | (6 0) | 100.0 | (6 0) |
| Japan: | | | | | | |
| 1924 .. . .... | 22,000 | 6.0 | 99.3 | 6.1 | 96.5 | 6 2 |
| 1925. . | 24,000 | 6.0 | 98.9 | 6 1 | (95.9) | (6.3) |
| 1926....... | 12,000 | 6.3 | 98.8 | 6.3 | (95.8) | (6.5) |
| 1929.. .. . ... | 11,450 | 6.0 | 96.3 | 6.2 | 92.7 | 6.5 |
| Philippine Islands: | | | | | | |
| 1929....... .... | 2,500 | 6.0 | 100.0 | 6.0 | (95.0) | (6.3) |
| INTERNATIONAL | | | | | | |
| 1927............ | 2,000 | 5.0 | 98 8 | 5.1 | (95.8) | (5.2) |

## Loan Prices and Effective Interest Rates—*Continued*

### VII. Summary of Loans and Loan Prices, 1915–29

### By Types and Geographic Areas

| Domicile of Borrowers | Total Face Value (In millions of dollars) | Cost of Loans (In millions of dollars) | | Average Prices (Percentages of par) | | |
|---|---|---|---|---|---|---|
| | | To Bankers | To Public | To Bankers | To Public | Difference (Bankers' spread) |
| EUROPE | | | | | | |
| Long Term | 3,843.3 | 3,493.7 | 3,662.2 | 90.9 | 95.3 | 4.4 |
| Government | 2,130.5 | 1,956.1 | 2,046.3 | 91.8 | 96 0 | 4 2 |
| Municipal | 426 3 | 378.9 | 399.3 | 88.9 | 93.7 | 4.8 |
| Corporate | 1,286 5 | 1,158.7 | 1,216 6 | 90.1 | 94.6 | 4.5 |
| Short Term | 2,212.9 | 2,145.4 | 2,184.5 | 96.9 | 98.7 | 1.8 |
| Government | 1,981.5 | 1,920.8 | 1,955.4 | 96.9 | 98 7 | 1.8 |
| Municipal | 95.2 | 92.5 | 93.8 | 97.2 | 98 5 | 1.3 |
| Corporate | 136.2 | 132.1 | 135.3 | 97.0 | 99.3 | 2.3 |
| All Loans | 6,056.2 | 5,639.1 | 5,846.7 | 93.1 | 96 5 | 3.4 |
| CANADA AND NEWFOUNDLAND | | | | | | |
| Long Term | 2,168.7 | 2,052.8 | 2,102.6 | 94 7 | 96.9 | 2.2 |
| Government | 1,014.7 | 972.4 | 988 5 | 95.8 | 97.4 | 1.6 |
| Municipal | 257.2 | 241.1 | 247.5 | 93.7 | 96 2 | 2.5 |
| Corporate | 896.8 | 839.3 | 866.6 | 93.6 | 96.6 | 3.0 |
| Short Term | 823.3 | 801.8 | 813.7 | 97.4 | 98.8 | 1.4 |
| Government | 594.3 | 580.3 | 588.2 | 97.6 | 99.0 | 1.4 |
| Municipal | 84.3 | 81.4 | 82.4 | 96.5 | 97.7 | 1.2 |
| Corporate | 144.7 | 140.1 | 143.1 | 96.8 | 98.9 | 2.1 |
| All Loans | 2,992.0 | 2,854.6 | 2,916.3 | 95.4 | 97.5 | 2.1 |
| SOUTH AMERICA | | | | | | |
| Long Term | 1,510.3 | 1,371.2 | 1,448.4 | 90.8 | 95.9 | 5.1 |
| Government | 1,175.5 | 1,064.5 | 1,124.5 | 90.5 | 95.7 | 5.2 |
| Municipal | 184.1 | 167.6 | 178.3 | 91.0 | 96.8 | 5.8 |
| Corporate | 150.7 | 139.1 | 145.6 | 92.3 | 96.6 | 4.3 |
| Short Term | 345.5 | 337.9 | 343.5 | 97.8 | 99.4 | 1.6 |
| Government | 311.9 | 305.9 | 310.5 | 98.1 | 99.5 | 1.4 |
| Municipal | 5.3 | 5.1 | 5 2 | 96.2 | 98.1 | 1.9 |
| Corporate | 28.3 | 26.9 | 27.8 | 95.1 | 98.2 | 3.1 |
| All Loans | 1,855.8 | 1,709.1 | 1,791.9 | 92.1 | 96.5 | 4.4 |
| OTHER LATIN AMERICA | | | | | | |
| Long Term | 174.6 | 165.3 | 170.9 | 94.7 | 97.9 | 3 2 |
| Government | 169.3 | 160.1 | 165.6 | 94.6 | 97.8 | 3.2 |
| Municipal | 0.5 | 0.5 | 0.5 | 100.0 | 100.0 | 0 0 |
| Corporate | 4.8 | 4.7 | 4.8 | 97.9 | 100.0 | 2 1 |
| Short Term | 18.2 | 17.6 | 18.2 | 96.7 | 100.0 | 3 3 |
| Government | 13.7 | 13.1 | 13.7 | 95.6 | 100.0 | 4.4 |
| Municipal | — | — | — | — | — | — |
| Corporate | 4.5 | 4.5 | 4.5 | 100.0 | 100.0 | 0 0 |
| All Loans | 192.8 | 182.9 | 189.1 | 94.9 | 98.1 | 3 2 |
| OTHER COUNTRIES | | | | | | |
| Long Term | 846.6 | 766.3 | 797.9 | 90.5 | 94.2 | 3.7 |
| Government | 576.2 | 529.8 | 549.3 | 91.9 | 95.3 | 3.4 |
| Municipal | 54.8 | 48.8 | 50.7 | 89.1 | 92.5 | 3.4 |
| Corporate | 215.6 | 187.7 | 197.9 | 87.1 | 91.8 | 4.7 |

LOAN PRICES AND EFFECTIVE INTEREST RATES—*Continued*

SUMMARY OF LOANS AND LOAN PRICES, 1915–29—*Continued*

By Types and Geographic Areas

| Domicile of Borrowers | Total Face Value (In millions of dollars) | Cost of Loans (In millions of dollars) | | Average Prices (Percentages of par) | | |
|---|---|---|---|---|---|---|
| | | To Bankers | To Public | To Bankers | To Public | Difference (Bankers' spread) |
| OTHER COUNTRIES (Cont'd). | | | | | | |
| Short Term | 124.2 | 118.2 | 121.9 | 95.2 | 98.1 | 2.9 |
| Government | 49.8 | 47.1 | 48.5 | 94.6 | 97.4 | 2.8 |
| Municipal | — | — | — | — | — | — |
| Corporate | 74.4 | 71.1 | 73.4 | 95.6 | 98.7 | 3 1 |
| All Loans | 970.8 | 884.5 | 919.8 | 91.1 | 94.7 | 3 6 |
| ALL COUNTRIES | | | | | | |
| Long Term | 8,543.5 | 7,849.3 | 8,182.0 | 91.9 | 95.8 | 3.9 |
| Government | 5,066 2 | 4,682.9 | 4,874.2 | 92.4 | 96.2 | 3.8 |
| Municipal | 922.9 | 836.9 | 876.3 | 90.7 | 94.9 | 4 2 |
| Corporate | 2,554.4 | 2,329 5 | 2,431.5 | 91.2 | 95.2 | 4.0 |
| Short Term | 3,526.1[e] | 3,422 9[e] | 3,483.8[e] | 97.1 | 98.8 | 1.7 |
| Government | 2,951.2 | 2,867.2 | 2,916.3 | 97.1 | 98.8 | 1.7 |
| Municipal | 184.8 | 179.0 | 181.4 | 96.9 | 98.2 | 1.3 |
| Corporate | 390.1[e] | 376.7[e] | 386.1[e] | 96.6 | 99.0 | 2.4 |
| All Loans | 12,069.6[e] | 11,272.2[e] | 11,665.8[e] | 93.4 | 96.7 | 3 3 |

VIII. SUMMARY OF CONTRACTUAL INTEREST RATES TO THE PUBLIC, 1920–29[f]

Based on Issue Prices

| Loans | Europe | Canada and Newfoundland | South America | Other Latin America | Other Countries | All Countries[e] |
|---|---|---|---|---|---|---|
| All Long Term | 6.9 | 5.3 | 6.9 | 5.9 | 5.9 | 6.5 |
| Government | 7.1 | 5.1 | 6.9 | 5.9 | 5 8 | 6.5 |
| Municipal | 6.9 | 5.2 | 7.3 | 6.6 | 5.9 | 6.5 |
| Corporate | 6.8 | 5.6 | 6.6 | 6.3 | 6.2 | 6.3 |
| All Short Term | 6.0 | 4.6 | 5.9 | 6.9 | 5.7 | 5.4 |
| Government | 5.9 | 4.5 | 5.9 | 7.1 | 4.1 | 5.2 |
| Municipal | 6.6 | 5.5 | 5.8 | — | — | 5.8 |
| Corporate | 6.1 | 4.9 | 5.9 | 6.7 | 6.1 | 5.8 |
| All Loans | 6.9 | 5.2 | 6.7 | 6.0 | 5.9 | 6.3 |

[e] The rates for "All Countries" take account of a 2 million dollar corporate loan classified as "international."

[f] For deriving the average rates given above, a computation was made, by geographic areas and types of loans, of one year's interest on all loans issued and of the comparable totals paid by the public for the loans. The rates are thus weighted by the amounts of the various loans but not by their duration. To facilitate comparison with the work of the Institute of International Finance, the rates given in this section of the table include only the ten years 1920–29.

4. Issue Prices and Nominal Interest Rates of Foreign Dollar Loans Taken in the United States, 1915–29[a]
Five-Year Averages, by Classes of Borrowers and by Countries

I. LONG TERM

| Domicile of Borrowers | National and Provincial Government | | | | | | Municipal | | | | | | Corporate | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1915–19 | | 1920–24 | | 1925–29 | | 1915–19 | | 1920–24 | | 1925–29 | | 1915–19 | | 1920–24 | | 1925–29 | |
| | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate |
| EUROPE: | | | | | | | | | | | | | | | | | | |
| Austria | — | — | 90.0 | 7.0 | 93.6 | 6.9 | — | — | — | — | 91.3 | 6.2 | — | — | 85.0 | 6.5 | 94.3 | 7.1 |
| Belgium | — | — | 94.1 | 6.9 | 96.0 | 7.0 | — | — | — | — | 94.0 | 5.0 | — | — | 99.8 | 7.0 | — | — |
| Bulgaria | — | — | — | — | 95.3 | 7.3 | — | — | — | — | — | — | — | — | — | — | — | — |
| Czechoslovakia | — | — | 96.5 | 8.0 | 96.0 | 7.5 | — | — | 92.8 | 7.6 | — | — | — | — | — | — | 96.2 | 7.4 |
| Danzig | — | — | — | — | 90.0 | 6.5 | — | — | — | — | — | — | — | — | — | — | — | — |
| Denmark | — | — | 97.0 | 6.9 | 96.8 | 4.9 | 93.5 | 5.5 | 98.0 | 8.0 | 96.8 | 4.9 | — | — | 95.2 | 6.0 | 96.8 | 5.5 |
| Estonia | — | — | — | — | 94.5 | 7.0 | — | — | — | — | — | — | — | — | — | — | — | — |
| Finland | — | — | 90.0 | 6.0 | 93.5 | 6.3 | — | — | 91.0 | 6.5 | — | — | — | — | 95.0 | 7.0 | 94.5 | 6.0 |
| France | 100.0 | 5.5 | 95.9 | 7.5 | — | — | 92.5 | 6.0 | 86.3 | 6 0 | — | — | — | — | 89.0 | 6.6 | 90.7 | 6.4 |
| Germany | — | — | 92.0 | 7.0 | 95.2 | 6.5 | — | — | — | — | 94.5 | 6.7 | — | — | — | — | 94.8 | 6.4 |
| Great Britain | 98.8 | 5.5 | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Greece | — | — | 88.0 | 7.0 | 89.7 | 6.5 | — | — | — | — | — | — | — | — | — | — | — | — |
| Hungary | — | — | 87.6 | 7.5 | — | — | — | — | — | — | 91.2 | 6.8 | — | — | — | — | 95.7 | 7.2 |
| Ireland | — | — | — | — | 97.0 | 5.0 | — | — | — | — | — | — | — | — | — | — | — | — |
| Italy | — | — | — | — | 94.7 | 7.0 | — | — | — | — | 91.5 | 6.5 | — | — | 93.8 | 6.5 | 95.3 | 6.7 |
| Lithuania | — | — | 100.0 | 5.0 | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Luxembourg | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 92.5 | 7.0 |
| Netherlands | — | — | 98.5 | 6.0 | — | — | — | — | 98.0 | 6.0 | — | — | — | — | — | — | — | — |
| Norway | 101.5 | 6.0 | 98.4 | 6.5 | 97.1 | 5.2 | — | — | 98.0 | 7.2 | 98.5 | 5.8 | — | — | — | — | 95.5 | 5.3 |
| Poland | — | — | 100.0 | 5.8 | 92.9 | 7.4 | — | — | — | — | 89.0 | 7.0 | — | — | 95.0 | 8.0 | 95.0 | 8.0 |
| Rumania | — | — | 100.0 | 7.0 | 100.0 | 7.0 | — | — | — | — | — | — | — | — | — | — | — | — |
| Sweden | 99.5 | 6.0 | 99.5 | 5.6 | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Switzerland | 96.3 | 5.6 | 98.6 | 6.6 | — | — | 99.3 | 8.0 | — | — | — | — | — | — | — | — | — | — |
| Yugoslavia | — | — | 95.5 | 8.0 | 92.5 | 7.0 | — | — | — | — | — | — | — | — | — | — | 92.0 | 7.0 |
| All Europe | 98.7 | 5.5 | 95.6 | 7.0 | 94.9 | 6.5 | 92.9 | 5.8 | 93.5 | 7.0 | 93.7 | 6.3 | — | — | 91.6 | 7.3 | 95.0 | 6 4 |
| CANADA AND NEWFOUNDLAND | 97.3 | 5.2 | 96.9 | 5.3 | 98.3 | 4 5 | 95.7 | 5 0 | 95.9 | 5 2 | 97.7 | 4.7 | 97.5 | 5.6 | 94.8 | 6.0 | 97.7 | 5.0 |

[a] Figures in parentheses are based on information covering less than 75 per cent of the aggregate face value of the specified loans.

LONG TERM—*Continued*

| Domicile of Borrowers | National and Provincial Government | | | | | | Municipal | | | | | | Corporate | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1915–19 | | 1920–24 | | 1925–29 | | 1915–19 | | 1920–24 | | 1925–29 | | 1915–19 | | 1920–24 | | 1925–29 | |
| | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate |
| SOUTH AMERICA: | | | | | | | | | | | | | | | | | | |
| Argentina | (96.5) | 6.0 | 95.9 | 6 0 | 97.2 | 6.3 | — | — | 96.5 | 6 5 | 97.4 | 6.7 | 100.0 | 6.0 | 100.0 | 5.0 | — | — |
| Bolivia | 97.5 | 6.0 | 96.6 | 7.8 | 97.9 | 7.0 | — | — | — | — | — | — | — | — | — | — | — | — |
| Brazil | 86.5 | 6.0 | 97.9 | 7.8 | 93.5 | 6.6 | 96.8 | 6.0 | 100.3 | 8.0 | 96.5 | 6.6 | — | — | 99.0 | 7.0 | — | — |
| Chile | — | — | 98.2 | 7.7 | 93.4 | 6.0 | 93.0 | 6 0 | — | — | 95.8 | 7.0 | — | — | — | — | 96.0 | 6.3 |
| Colombia | — | — | 93.0 | 6.8 | 94.2 | 6.6 | — | — | 98.0 | 8.0 | 93.8 | 6.8 | — | — | — | — | 94 4 | 6.7 |
| Peru | — | — | 99.6 | 8.0 | 94.0 | 6.5 | — | — | — | — | 93 0 | 6.5 | — | — | — | — | — | — |
| Uruguay | 90.0 | 5.0 | 98.5 | 8.0 | 96.5 | 6.0 | — | — | 97.0 | 7.0 | 93.5 | 6.0 | — | — | — | — | — | — |
| Venezuela | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 100.0 | 6.0 |
| All South America | 92.0 | 5.9 | 97.3 | 7.3 | 95.2 | 6.4 | 96.7 | 6.0 | 97.2 | 7.7 | 95.8 | 6.7 | 100.0 | 6.0 | 99.6 | 5.7 | 95.8 | 6.4 |
| OTHER LATIN AMERICA: | | | | | | | | | | | | | | | | | | |
| Costa Rica | — | — | — | — | 95.5 | 7.0 | — | — | — | — | — | — | — | — | — | — | 100.0 | 7.5 |
| Cuba | — | — | 97.4 | 5.6 | 100.3 | 5.5 | — | — | — | — | — | — | — | — | — | — | — | — |
| Dominican Republic | 93.0 | 5.0 | 94.5 | 5.5 | 99.2 | 5.5 | — | — | — | — | — | — | — | — | — | — | — | — |
| Guatemala | — | — | — | — | 101.1 | 8.0 | — | — | — | — | — | — | — | — | — | — | — | — |
| Haiti | — | — | 96.5 | 6.0 | 96.0 | 6.0 | — | — | — | — | — | — | — | — | — | — | — | — |
| Mexico | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 97.5 | 8.0 | — | — |
| Panama | 100.5 | 5.0 | 97.5 | 5.5 | 99.0 | 5.5 | — | — | — | — | 100.0 | 6.5 | — | — | — | — | 101.1 | 6.5 |
| Salvador | — | — | 100.0 | 8.0 | 92.0 | 7.0 | — | — | — | — | — | — | — | — | — | — | — | — |
| All Latin America except South America | 94.7 | 5.0 | 97.2 | 5.8 | 99.0 | 5.7 | — | — | — | — | 100.0 | 6.5 | — | — | 97.5 | 8.0 | 100.6 | 7.0 |
| OTHER COUNTRIES | | | | | | | | | | | | | | | | | | |
| Australia | — | — | 97.9 | 6.5 | 96.9 | 4.9 | — | — | — | — | 95.2 | 5.0 | — | — | 101.0 | 7.5 | — | — |
| China | — | — | 100.0 | 7.9 | — | — | — | — | — | — | — | — | — | — | 100.0 | (6.0) | — | — |
| Dutch East Indies | — | — | 93.0 | 5.8 | — | — | — | — | — | — | — | — | — | — | — | — | 96.3 | 4.5 |
| Japan | — | — | 92.5 | 6.5 | — | — | — | — | — | — | 91.2 | 5.7 | — | — | 91.8 | 6.4 | 90.4 | 6.2 |
| Liberia | — | — | — | — | 90.0 | 7.0 | — | — | — | — | — | — | — | — | — | — | — | — |
| Philippine Islands | — | — | 99.7 | 4.8 | 106.7 | 4.6 | — | — | — | — | 101.8 | 4.5 | 100.8 | 4.0 | 112.3 | 6.2 | — | — |
| All "Other Countries" | — | — | 94.2 | 6.0 | 97.2 | 4.9 | — | — | — | — | 92.3 | 5.5 | 100.8 | 4.0 | 93.4 | 6.5 | 91.2 | 6.0 |

II. SHORT TERM

| Domicile of Borrowers | National and Provincial Government | | | | | | Municipal | | | | | | Corporate | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1915–19 | | 1920–24 | | 1925–29 | | 1915–19 | | 1920–24 | | 1925–29 | | 1915–19 | | 1920–24 | | 1925–29 | |
| | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate |
| EUROPE: | | | | | | | | | | | | | | | | | | |
| Austria | — | — | — | — | 98.5 | 6.0 | — | — | — | — | — | — | — | — | — | — | — | — |
| Belgium | 96.5 | 6.0 | 97.2 | 6.0 | 100.0 | 6.0 | — | — | — | — | — | — | 100 0 | 4.3 | — | — | — | — |
| France | 98.4 | 5.1 | — | — | — | — | 98.4 | 6.0 | — | — | 98.7 | 6.0 | — | — | — | — | — | — |
| Germany | 99.7 | 5.0 | — | — | 97.1 | 5.8 | — | — | 99.5 | 7.0 | 99.5 | 5.5 | — | — | 99 2 | 7.0 | 98.9 | 6.2 |
| Great Britain | 99.0 | 5.3 | — | — | — | — | — | — | — | — | — | — | — | — | 100.0 | 7.5 | 99.8 | 4.7 |
| Greece | — | — | — | — | 95.0 | 8.0 | — | — | — | — | — | — | — | — | — | — | — | — |
| Hungary | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 100.5 | 7.5 |
| Italy | 100.0 | 6.0 | 97.5 | 6.5 | — | — | — | — | — | — | — | — | — | — | 99.0 | 6.5 | 99.7 | 5.8 |
| Norway | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 100.3 | 5 0 | — | — |
| Russia | 98.7 | 6.1 | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Sweden | 100.0 | 6.0 | 100.0 | 5.0 | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Switzerland | 97.5 | 5.0 | 97.3 | 5.0 | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Yugoslavia | — | — | 100.0 | 6.0 | 100 0 | 6.0 | — | — | — | — | — | — | — | — | — | — | 95.0 | 7.0 |
| All Europe | 98.7 | 5.3 | 97.7 | 5.7 | 98.0 | 5.9 | 98.4 | 6.0 | 99.5 | 7.0 | 99.3 | 5.6 | 100.0 | 4.3 | 99.7 | 7.1 | 99.1 | 6.0 |
| CANADA AND NEWFOUNDLAND | 98.7 | 5.0 | 98.5 | 4 9 | 99.8 | 4.1 | 98.2 | 5.4 | 95.2 | 5.5 | 100.2 | 4.2 | 97.6 | 5.6 | 98.2 | 4.8 | 99.9 | 5.0 |

SHORT TERM—*Continued*

| Domicile of Borrowers | National and Provincial Government | | | | | | Municipal | | | | | | Corporate | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1915–19 | | 1920–24 | | 1925–29 | | 1915–19 | | 1920–24 | | 1925–29 | | 1915–19 | | 1920–24 | | 1925–29 | |
| | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate |
| SOUTH AMERICA: | | | | | | | | | | | | | | | | | | |
| Argentina | 98.9 | 6.0 | 99.7 | 6.2 | 100.0 | 4.7 | — | — | — | — | — | — | — | — | — | — | 100.0 | 6.0 |
| Bolivia | 96.5 | 6.0 | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Brazil | — | — | — | — | — | — | — | — | — | — | 99.0 | 6.0 | 98.3 | 6.0 | — | — | — | — |
| Chile | — | — | 99.0 | 8.0 | 99.9 | 5.0 | — | — | — | — | 101.0 | 6.0 | 99.0 | 6.0 | — | — | 98.8 | 6.0 |
| Colombia | 100.0 | 6.0 | 98.2 | 6.4 | 98.0 | 5.5 | — | — | 98.0 | 6.0 | — | — | — | — | — | — | — | — |
| Uruguay | 100.0 | 6.0 | 100.0 | 6.0 | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| All South America | 99.0 | 6.0 | 99.6 | 6.2 | 99.6 | 4.9 | — | — | 98.0 | 6.0 | 99.7 | 6.0 | 98.4 | 6.0 | — | — | 98.8 | 6.0 |
| OTHER LATIN AMERICA: | | | | | | | | | | | | | | | | | | |
| Cuba | 100.0 | 6.0 | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Dominican Republic | — | — | 100.0 | 6.8 | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Honduras | — | — | — | — | 100.0 | 7.0 | — | — | — | — | — | — | — | — | — | — | — | — |
| Mexico | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 100.0 | 6.0 | 100.0 | 6.2 |
| Salvador | — | — | — | — | 99.8 | 6.5 | — | — | — | — | — | — | — | — | — | — | — | — |
| All Latin America except South America | 100.0 | 6.0 | 100.0 | 6.8 | 100.0 | 6.9 | — | — | — | — | — | — | — | — | 100.0 | 6.0 | 100 0 | 6.2 |
| OTHER COUNTRIES: | | | | | | | | | | | | | | | | | | |
| Australia | — | — | — | — | — | — | — | — | — | — | — | — | 96.7 | 6.0 | — | — | — | — |
| China | 96.0 | 6.0 | 100.0 | 6.2 | — | — | — | — | — | — | — | — | — | — | 100.0 | 6.0 | — | — |
| Japan | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 99.3 | 6.0 | 98.2 | 6.1 |
| Philippine Islands | 99.3 | 4.0 | 97.4 | 4.0 | — | — | — | — | — | — | — | — | — | — | — | — | 100.0 | 6.0 |
| All "Other Countries" | 97.1 | 5.3 | 97.4 | 4.0 | — | — | — | — | — | — | — | — | 96.7 | 6.0 | 99.3 | 6.0 | 98.3 | 6.1 |
| INTERNATIONAL | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 98 8 | 5 0 |

III. SUMMARY

| Domicile of Borrowers | National and Provincial Government | | | | | | Municipal | | | | | | Corporate | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1915–19 | | 1920–24 | | 1925–29 | | 1915–19 | | 1920–24 | | 1925–29 | | 1915–19 | | 1920–24 | | 1925–29 | |
| | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate | Price | Rate |
| LONG TERM: | | | | | | | | | | | | | | | | | | |
| Europe | 98.7 | 5.5 | 95.6 | 7.0 | 94.9 | 6.5 | 92.9 | 5.8 | 93.5 | 7.0 | 93.7 | 6.3 | — | — | 91.6 | 7.3 | 95.0 | 6.4 |
| Canada and Newfoundland | 97.3 | 5.2 | 96.9 | 5.3 | 98.3 | 4.5 | 95.7 | 5.0 | 95.9 | 5.2 | 97.7 | 4.7 | 97.5 | 5.6 | 94.8 | 6.0 | 97.7 | 5.0 |
| South America | 92.0 | 5.9 | 97.3 | 7.3 | 95.2 | 6.4 | 96.7 | 6.0 | 97.2 | 7.7 | 95.8 | 6.7 | 100.0 | 6.0 | 99.6 | 5.7 | 95.8 | 6.4 |
| Other Latin America | 94.7 | 5.0 | 97.2 | 5.8 | 99.0 | 5.7 | — | — | — | — | 100.0 | 6.5 | — | — | 97.5 | 8.0 | 100.6 | 7.0 |
| Other Countries | — | — | 94.2 | 6.0 | 97.2 | 4.9 | — | — | — | — | 92.3 | 5.5 | 100.8 | 4.0 | 93.4 | 6.5 | 91.2 | 6.0 |
| SHORT TERM: | | | | | | | | | | | | | | | | | | |
| Europe | 98.7 | 5.3 | 97.7 | 5.7 | 98.0 | 5.9 | 98.4 | 6.0 | 99.5 | 7.0 | 99.3 | 5.6 | 100.0 | 4.3 | 99.7 | 7.1 | 99.1 | 6.0 |
| Canada and Newfoundland | 98.7 | 5.0 | 98.5 | 4.9 | 99.8 | 4.1 | 98.2 | 5.4 | 95.2 | 5.5 | 100.2 | 4.2 | 99.2 | 5.7 | 98.2 | 4.8 | 99.9 | 5.0 |
| South America | 99.0 | 6.0 | 99.6 | 6.2 | 99.6 | 4.9 | — | — | 98.0 | 6.0 | 99.7 | 6.0 | 98.4 | 6.0 | — | — | 98.8 | 6.0 |
| Other Latin America | 100.0 | 6.0 | 100.0 | 6.8 | 100.0 | 6.9 | — | — | — | — | — | — | — | — | 100.0 | 6.0 | 100.0 | 6.2 |
| Other Countries | 97.1 | 5.3 | 97.4 | 4.0 | — | — | — | — | — | — | — | — | 96.7 | 6.0 | 99.3 | 6.0 | 98.3 | 6.1 |
| International | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 98.8 | 5.0 |

## 5. American Portfolio of Foreign Securities in Specified Years, 1897–1935[a]

End-of-Year Figures, Exclusive of Repatriations and Market Purchases
(All figures are in millions of dollars.)

### I. LONG AND SHORT-TERM DOLLAR LOANS

| Domicile of Borrowers | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|
| **EUROPE** | **29.0** | **47.0** | **1,324.8** | **1,708.8** | **3,054.5** | **2,266.4** |
| Austria | — | — | — | 26.7 | 72.3 | 56.8 |
| Belgium | — | — | 11.6 | 181.2 | 210.6 | 151.7 |
| Bulgaria | — | — | — | — | 13.4 | 12.9 |
| Czechoslovakia | — | — | — | 31.1 | 31.4 | 29.2 |
| Danzig | — | — | — | — | 3.0 | 2.6 |
| Denmark | — | — | 15.0 | 88.8 | 164.6 | 134.4 |
| Estonia | — | — | — | — | 3.8 | 3.7 |
| Finland | — | — | — | 29.0 | 63.2 | 32.1 |
| France | — | 10.0 | 334.2 | 436.6 | 334.6 | 148.5 |
| Germany | — | — | — | 121.9 | 964.4 | 773.7 |
| Great Britain | — | — | 777.5 | 298.9 | 143.0 | 20.1 |
| Greece | — | — | — | 6.0 | 25.8 | 24.7 |
| Hungary | — | — | — | 9.0 | 59.9 | 53.3 |
| Ireland | — | — | — | — | 5.1 | 1.8 |
| Italy | — | — | — | 17.3 | 315.0 | 239.6 |
| Lithuania | — | — | — | 1.8 | 1.8 | 1.8 |
| Luxembourg | — | — | — | — | 7.1 | 6.0 |
| Netherlands | — | — | — | 46.0 | 6.0 | 43.3 |
| Norway | — | 3.0 | 5.0 | 94.7 | 180.7 | 150.5 |
| Poland | — | — | — | 29.6 | 131.7 | 96.6 |
| Rumania | — | — | — | 2.5 | 9.7 | 9.1 |
| Russia | 29.0 | 29.0 | 126.5 | 104.0 | 104.0 | 104.0 |
| Sweden | — | 5.0 | 20.0 | 50.0 | 104.7 | 122.6 |
| Switzerland | — | — | 35.0 | 115.5 | 48.7 | — |
| Yugoslvaia | — | — | — | 18.2 | 50.0 | 47.4 |
| **CANADA AND NEWFOUNDLAND** | **215.2** | **140.1** | **670.2** | **1,487.6** | **1,858.4** | **1,826.2** |
| **SOUTH AMERICA** | **5.0** | **22.0** | **94.3** | **437.4** | **1,263.6** | **1,214.3** |
| Argentina | — | 15.0 | 48.5 | 178.0 | 358.7 | 333.7 |
| Bolivia | — | — | 2.3 | 32.8 | 58.1 | 54.5 |
| Brazil | 5.0 | 5.0 | 40.9 | 136.8 | 314.8 | 310.5 |
| Chile | — | — | .5 | 52.1 | 236.3 | 236.3 |
| Colombia | — | — | .6 | 14.1 | 164.9 | 144.3 |
| Peru | — | 2.0 | — | 9.0 | 76.6 | 74.2 |
| Uruguay | — | — | 1.5 | 14.6 | 44.2 | 50.8 |
| Venezuela | — | — | — | — | 10.0 | 10.0 |
| **OTHER LATIN AMERICA** | **156.8** | **182.4** | **180.0** | **263.5** | **301.4** | **309.8** |
| Costa Rica | 2.1 | 2.1 | — | — | 9.4 | 8.8 |
| Cuba | 15.0 | 35.0 | 32.6 | 76.3 | 94.8 | 115.2 |
| Dominican Republic | — | 4.6 | 6.3 | 14.5 | 19.1 | 15.5 |
| Guatemala | — | — | — | — | .4 | .4 |
| Haiti | — | .4 | — | 17.3 | 14.5 | 9.7 |
| Honduras | — | — | — | — | 1.3 | — |
| Mexico | 138.7 | 138.8 | 138.8 | 143.6 | 139.0 | 138.8 |
| Nicaragua | 1.0 | — | — | — | — | — |
| Panama | — | 1.5 | 2.3 | 6.0 | 17.3 | 16.8 |
| Salvador | — | — | — | 5.8 | 5.6 | 4.6 |

[a] The cumulation begins with 1897, but according to our records the portfolio for that year did not include any foreign securities issued in the United States.

American Portfolio of Foreign Securities, 1897–1935—*Continued*

LONG AND SHORT-TERM DOLLAR LOANS—*Continued*

| Domicile of Borrowers | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|
| **OTHER COUNTRIES** | **23.9** | **26.3** | **54.8** | **457.1** | **861.3** | **708.8** |
| Australia | — | — | 1.2 | 23.0 | 240.6 | 252.9 |
| China | 2.2 | — | 13 5 | 16.7 | 16.7 | 16 7 |
| Dutch East Indies | — | — | — | 150.0 | 174.4 | 24.4 |
| Japan | — | — | — | 179.0 | 327.2 | 323.8 |
| Liberia | — | — | — | — | 2.2 | 2.2 |
| Philippine Islands | 21.7 | 26.3 | 40.1 | 88.4 | 100.2 | 88.8 |
| **INTERNATIONAL** | **—** | **—** | **—** | **—** | **.6** | **12.4** |
| **TOTAL** | **429.9** | **417.8** | **2,324.1** | **4,354.4** | **7,339.8** | **6,337.9** |

II. LONG AND SHORT-TERM FOREIGN CURRENCY LOANS

Converted to Dollars, at Average Rates of Exchange for Specified Years[b]

| | | | | | | |
|---|---|---|---|---|---|---|
| **EUROPE** | **167.9** | **148.5** | **162.1** | **196.3** | **235.6** | **134.9** |
| Austria | .5 | .5 | .2 | — | — | — |
| Belgium | — | — | — | — | 3.6 | .2 |
| Czechoslovakia | — | — | .2 | .4 | .4 | .6 |
| Denmark | .3 | .3 | .2 | .5 | .6 | .4 |
| France | — | — | 8.3 | 12.3 | 8.8 | 9.2 |
| Germany | 32.3 | 23.1 | 1.6 | — | — | — |
| Great Britain | 134 8 | 121.6 | 110.6 | 110.4 | 131.1 | 9.8 |
| Greece | — | 3.0 | 2.6 | 2.6 | 2.7 | 2.7 |
| Italy | — | — | 38.4 | 14.7 | 17.8 | — |
| Netherlands | — | — | — | 52.6 | 54.9 | 88.5 |
| Norway | — | — | — | 2.4 | 4.7 | — |
| Rumania | — | — | — | — | — | 13.2 |
| Spain | — | — | — | .4 | — | — |
| Sweden | — | — | — | — | 11.0 | 10.3 |
| **CANADA AND NEWFOUNDLAND** | **15.0** | **17.0** | **19.3** | **14.1** | **9.9** | **4.5** |
| **SOUTH AMERICA** | **20.4** | **19.6** | **16.3** | **25.7** | **22.8** | **19.2** |
| Argentina | — | 9.7 | 8.0 | 9.1 | 8.8 | 7.3 |
| Bolivia | 5.8 | 8.2 | 7.2 | 5.2 | — | — |
| Brazil | 14.6 | 1.1 | — | 9.0 | 9.8 | 9.3 |
| Chile | — | .6 | .7 | 1.0 | 1.9 | .7 |
| Colombia | — | — | — | .8 | 1.7 | 1.3 |
| Peru | — | — | — | .2 | .2 | .2 |
| Uruguay | — | — | .4 | .4 | .4 | .4 |
| **OTHER LATIN AMERICA** | **11.9** | **22.6** | **21.5** | **21.1** | **23.4** | **18.8** |
| Costa Rica | — | — | — | — | 1.4 | 1.4 |
| Mexico | 11.9 | 22.6 | 21.5 | 21.1 | 22.0 | 17.4 |
| **OTHER COUNTRIES** | **227.6** | **191.3** | **172.4** | **62.4** | **66.5** | **64.9** |
| Australia | — | — | — | .7 | .6 | .4 |
| China | — | 7.3 | 6.6 | 6.3 | 5.8 | 4.5 |
| Japan | 227.6 | 183.8 | 165.6 | 54.9 | 59.8 | 59.8 |
| Liberia | — | .2 | .2 | .2 | — | — |
| Palestine | — | — | — | .3 | .3 | .2 |
| **TOTAL** | **442.8** | **399.0** | **391.6** | **319.6** | **358.2** | **242.3** |

[b] The average rate of exchange—for each country, for the several years given—was used as a conversion factor rather than end-of-year rates which sometimes are temporarily out of line to a marked degree.

American Portfolio of Foreign Securities, 1897–1935—*Continued*

III. SHARES IN FOREIGN CORPORATIONS NOT UNDER AMERICAN CONTROL

In Par Value Terms

| Domicile of Borrowers | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|
| EUROPE | — | — | 2.4 | 39.4 | 183.1 | 183.1 |
| Germany | — | — | — | 10.4 | 54.9 | 54.9 |
| Great Britain | — | — | 2.4 | 4.6 | 12.4 | 12.4 |
| Hungary | — | — | — | — | 3.4 | 3.4 |
| Italy | — | — | — | 8.6 | 31.8 | 31.8 |
| Netherlands | — | — | — | — | .6 | .6 |
| Sweden | — | — | — | 15.8 | 80.0 | 80.0 |
| CANADA AND NEWFOUNDLAND | 6.6 | 21.7 | 39.0 | 49.5 | 134.5 | 134.5 |
| SOUTH AMERICA | — | 1.0 | 1.0 | 1.0 | 7.7 | 7.7 |
| Argentina | — | 1.0 | 1.0 | 1.0 | 2.9 | 2.9 |
| Bolivia | — | — | — | — | 4.0 | 4.0 |
| Colombia | — | — | — | — | .8 | .8 |
| OTHER LATIN AMERICA | 105.0 | 105.0 | 105.0 | 105.0 | 105.0 | 105.0 |
| Mexico | 105.0 | 105.0 | 105.0 | 105.0 | 105.0 | 105.0 |
| OTHER COUNTRIES | — | — | — | — | .5 | .5 |
| Dutch East Indies | — | — | — | — | .5 | .5 |
| INTERNATIONAL | — | — | — | — | 14.5 | 14.5 |
| TOTAL | 111.6 | 127.7 | 147.4 | 194.9 | 445.3 | 445.3 |

IV. ALL SECURITIES

| Domicile of Borrowers | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|
| EUROPE | 196.9 | 195.5 | 1,489.3 | 1,944.5 | 3,473.2 | 2,584.4 |
| Austria | .5 | .5 | .2 | 26.7 | 72.3 | 56.8 |
| Belgium | — | — | 11.6 | 181.2 | 214.2 | 151.9 |
| Bulgaria | — | — | — | — | 13.4 | 12.9 |
| Czechoslovakia | — | — | .2 | 31.5 | 31.8 | 29.8 |
| Danzig | — | — | — | — | 3.0 | 2.6 |
| Denmark | .3 | .3 | 15.2 | 89.3 | 165.2 | 134.8 |
| Estonia | — | — | — | — | 3.8 | 3.7 |
| Finland | — | — | — | 29.0 | 63.2 | 32.1 |
| France | — | 10.0 | 342.5 | 448.9 | 343.4 | 157.7 |
| Germany | 32.3 | 23.1 | 1.6 | 132.3 | 1,019.3 | 828.6 |
| Great Britain | 134.8 | 121.6 | 890.5 | 413.9 | 286.5 | 42.3 |
| Greece | — | 3.0 | 2.6 | 8.6 | 28.5 | 27.4 |
| Hungary | — | — | — | 9.0 | 63.3 | 56.7 |
| Ireland | — | — | — | — | 5.1 | 1.8 |
| Italy | — | — | 38.4 | 40.6 | 364.6 | 271.4 |
| Lithuania | — | — | — | 1.8 | 1.8 | 1.8 |
| Luxembourg | — | — | — | — | 7.1 | 6.0 |
| Netherlands | — | — | — | 98.6 | 61.5 | 132.4 |
| Norway | — | 3.0 | 5.0 | 97.1 | 185.4 | 150.5 |
| Poland | — | — | — | 29.6 | 131.7 | 96.6 |
| Rumania | — | — | — | 2.5 | 9.7 | 22.3 |
| Russia | 29.0 | 29.0 | 126.5 | 104.0 | 104.0 | 104.0 |
| Spain | — | — | — | .4 | — | — |
| Sweden | — | 5.0 | 20.0 | 65.8 | 195.7 | 212.9 |
| Switzerland | — | — | 35.0 | 115.5 | 48.7 | — |
| Yugoslavia | — | — | — | 18.2 | 50.0 | 47.4 |
| CANADA AND NEWFOUNDLAND | 236.8 | 178.8 | 728.5 | 1,551.2 | 2,002.8 | 1,965.2 |

AMERICAN PORTFOLIO OF FOREIGN SECURITIES, 1897–1935—*Continued*

ALL SECURITIES—*Continued*

| Domicile of Borrowers | 1908 | 1914 | 1919 | 1924 | 1929 | 1935 |
|---|---|---|---|---|---|---|
| SOUTH AMERICA | 25.4 | 42.6 | 111.6 | 464.1 | 1,294.1 | 1,241.2 |
| Argentina | — | 25.7 | 57.5 | 188.1 | 370.4 | 343.9 |
| Bolivia | 5.8 | 8.2 | 9.5 | 38.0 | 62.1 | 58.5 |
| Brazil | 19.6 | 6.1 | 40.9 | 145.8 | 324.6 | 319.8 |
| Chile | — | .6 | 1.2 | 53.1 | 238.2 | 237.0 |
| Colombia | — | — | .6 | 14.9 | 167.4 | 146 4 |
| Peru | — | 2.0 | — | 9.2 | 76.8 | 74.4 |
| Uruguay | — | — | 1.9 | 15.0 | 44.6 | 51.2 |
| Venezuela | — | — | — | — | 10 0 | 10.0 |
| OTHER LATIN AMERICA | 273.7 | 310.0 | 306.5 | 389.6 | 429.8 | 433.6 |
| Costa Rica | 2.1 | 2.1 | — | — | 10.8 | 10 2 |
| Cuba | 15.0 | 35.0 | 32 6 | 76.3 | 94.8 | 115.2 |
| Dominican Republic | — | 4.6 | 6.3 | 14.5 | 19.1 | 15.5 |
| Guatemala | — | — | — | — | .4 | .4 |
| Haiti | — | .4 | — | 17.3 | 14.5 | 9.7 |
| Honduras | — | — | — | — | 1.3 | — |
| Mexico | 255.6 | 266.4 | 265.3 | 269.7 | 266.0 | 261.2 |
| Nicaragua | 1.0 | — | — | — | — | — |
| Panama | — | 1.5 | 2.3 | 6.0 | 17.3 | 16 8 |
| Salvador | — | — | — | 5.8 | 5.6 | 4.6 |
| OTHER COUNTRIES | 251.5 | 217.6 | 227.2 | 519.5 | 928.3 | 774.2 |
| Australia | — | — | 1.2 | 23.7 | 241.2 | 253.3 |
| China | 2.2 | 7.3 | 20.1 | 23.0 | 22.5 | 21.2 |
| Dutch East Indies | — | — | — | 150.0 | 174.9 | 24 9 |
| Japan | 227.6 | 183.8 | 165.6 | 233.9 | 387.0 | 383.6 |
| Liberia | — | .2 | .2 | .2 | 2.2 | 2.2 |
| Palestine | — | — | — | .3 | .3 | 2 |
| Philippine Islands | 21.7 | 26.3 | 40.1 | 88.4 | 100.2 | 88.8 |
| INTERNATIONAL | — | — | — | — | 15.1 | 26.9 |
| TOTAL | 984.3 | 944.5 | 2,863.1 | 4,868.9 | 8,143.3 | 7,025.5 |

6. Status of American Portion of Foreign

Loans in Default Compared with Outstanding Amounts, and with

(Pre-war and post-war portfolio

I. GOVERNMENT LOANS

| Domicile of Borrowers | National Government | | | | State and Provincial | |
|---|---|---|---|---|---|---|
| | Dollar Loans Issued in All Markets 1897–1935 | Portion Originally Taken in U.S. | | | Dollar Loans Issued in All Markets 1897–1935 | Portion |
| | | Total | Outstanding Dec. 31, 1935 | In Default as to Interest | | Total |
| EUROPE | **1,506,119** | **1,374,747** | **938,519** | **241,626** | **136,200** | **113,125** |
| Austria | 25,000 | 25,000 | 21,845 | — | 7,000 | 6,000 |
| Belgium | 180,000 | 180,000 | 143,515 | — | — | — |
| Bulgaria | 17,500 | 13,500 | 12,916 | 12,916 | — | — |
| Czechoslovakia | 23,250 | 23,250 | 18,713 | — | — | — |
| Danzig | 4,500 | 3,000 | 2,590 | — | — | — |
| Denmark | 117,500 | 104,000 | 92,007 | — | — | — |
| Estonia | 4,000 | 4,000 | 3,592 | — | — | — |
| Finland | 35,000 | 27,000 | 21,826 | — | — | — |
| France | 202,110 | 202,110 | 106,452 | — | — | — |
| Germany[b] | 208,250 | 208,250 | 150,939 | 150,939 | 110,000 | 90,125 |
| Great Britain | 143,587 | 143,000 | 20,067 | — | — | — |
| Greece | 39,000 | 26,000 | 24,636 | 24,636 | — | — |
| Hungary | 9,000 | 9,000 | 6,579 | 6,579 | — | — |
| Ireland | 15,000 | 15,000 | 1,805 | — | — | — |
| Italy | 113,500 | 113,500 | 87,146 | — | — | — |
| Lithuania | 1,846 | 1,846 | 1,846 | — | — | — |
| Luxembourg | — | — | — | — | — | — |
| Netherlands | — | — | — | — | — | — |
| Norway | 123,000 | 123,000 | 105,455 | — | 8,000 | 8,000 |
| Poland | 120,076 | 104,791 | 70,034 | — | 11,200 | 9,000 |
| Rumania | 69,000 | 10,000 | 9,115 | 9,115 | — | — |
| Russia | — | — | — | — | — | — |
| Sweden | — | — | — | — | — | — |
| Yugoslavia | 55,000 | 38,500 | 37,441 | 37,441 | — | — |
| CANADA AND NEWFOUNDLAND | **646,077** | **430,150** | **406,111** | **—** | **765,630** | **447,325** |
| SOUTH AMERICA | **931,880** | **823,952** | **713,199** | **481,935** | **343,062** | **303,348** |
| Argentina | 289,800 | 278,425 | 231,264 | — | 102,602 | 84,151 |
| Bolivia | 68,400 | 63,445 | 54,524 | 54,524 | — | — |
| Brazil | 176,500 | 156,553 | 125,901 | 125,901 | 167,610 | 150,347 |
| Chile | 184,912 | 159,038 | 150,559 | 150,559 | — | — |
| Colombia | 60,000 | 46,083 | 39,334 | 39,334 | 71,350 | 67,350 |
| Peru | 95,682 | 75,642 | 70,067 | 70,067 | 1,500 | 1,500 |
| Uruguay | 56,586 | 44,766 | 41,550 | 41,550 | — | — |
| Venezuela | — | — | — | — | — | — |
| OTHER LATIN AMERICA | **317,233** | **260,131** | **180,629** | **108,339** | **3,252** | **3,252** |
| Costa Rica | 8,000 | 8,000 | 7,198 | 7,198 | — | — |
| Cuba | 214,500 | 175,508 | 115,218 | 72,497 | — | — |
| Dominican Republic | 20,000 | 19,000 | 15,464 | — | — | — |
| Guatemala | 2,515 | 550 | 435 | 435 | — | — |
| Haiti | 20,273 | 20,273 | 9,809 | — | — | — |
| Mexico | 18,245 | 13,500 | 13,500 | 13,500 | 3,252 | 3,252 |
| Panama | 17,500 | 16,300 | 14,513 | 10,217 | — | — |
| Salvador | 16,200 | 7,000 | 4,492 | 4,492 | — | — |
| OTHER COUNTRIES | **463,156** | **417,156** | **380,331** | **271** | **72,000** | **67,200** |
| Australia | 165,000 | 165,000 | 157,030 | — | 72,000 | 67,200 |
| China | 271 | 271 | 271 | 271 | — | — |
| Dutch East Indies | — | — | — | — | — | — |
| Japan | 221,000 | 175,000 | 146,145 | — | — | — |
| Liberia | 2,192 | 2,192 | 2,192 | — | — | — |
| Philippine Islands | 74,693 | 74,693 | 74,693 | — | — | — |
| INTERNATIONAL | **—** | **—** | **—** | **—** | **—** | **—** |
| TOTAL | **3,864,465** | **3,306,136** | **2,618,789** | **832,171** | **1,320,144** | **934,250** |

[a] Private loans, as well as loans publicly issued, are included in so far as these could be identified.

Dollar Loans, December 31, 1935[a]

the Totals Originally Issued in All Markets and in the United States loans, in thousands of dollars)

—LONG TERM

| Government: Originally Taken in U. S.: Outstanding Dec. 31, 1935 | Government: Originally Taken in U. S.: In Default as to Interest | Municipal: Dollar Loans Issued in All Markets 1897–1935 | Municipal: Portion Originally Taken in U.S.: Total | Municipal: Portion Originally Taken in U.S.: Outstanding Dec. 31, 1935 | Municipal: Portion Originally Taken in U.S.: In Default as to Interest | Domicile of Borrowers |
|---|---|---|---|---|---|---|
| 89,594 | 69,713 | 356,330 | 316,970 | 245,762 | 99,485 | EUROPE |
| 4,114 | — | 32,500 | 23,500 | 19,305 | — | Austria |
| — | — | 10,000 | 8,000 | 8,000 | — | Belgium |
| — | — | — | — | — | — | Bulgaria |
| — | — | 9,000 | 9,000 | 6,901 | 1,084 | Czechoslovakia |
| — | — | — | — | — | — | Danzig |
| — | — | 36,000 | 36,000 | 33,100 | — | Denmark |
| — | — | — | — | — | — | Estonia |
| — | — | 8,000 | 8,000 | 7,420 | — | Finland |
| — | — | 6,000 | 6,000 | 6,000 | — | France |
| 69,713 | 69,713 | 129,400 | 117,300 | 76,159 | 75,503 | Germany[b] |
| — | — | — | — | — | — | Great Britain |
| — | — | — | — | — | — | Greece |
| — | — | 36,000 | 26,750 | 22,898 | 22,898 | Hungary |
| — | — | — | — | — | — | Ireland |
| — | — | 60,000 | 54,990 | 42,945 | — | Italy |
| — | — | — | — | — | — | Lithuania |
| — | — | — | — | — | — | Luxembourg |
| — | — | 6,000 | 6,000 | 5,161 | — | Netherlands |
| 7,636 | — | 13,430 | 13,430 | 10,645 | — | Norway |
| 8,131 | — | 10,000 | 8,000 | 7,228 | — | Poland |
| — | — | — | — | — | — | Rumania |
| — | — | — | — | — | — | Russia |
| — | — | — | — | — | — | Sweden |
| — | — | — | — | — | — | Yugoslavia |
| 412,314 | — | 410,802 | 308,531 | 241,200 | 400 | CANADA AND NEWFOUNDLAND |
| 260,042 | 236,011 | 165,604 | 154,104 | 130,201 | 116,283 | SOUTH AMERICA |
| 73,145 | 67,553 | 28,018 | 26,268 | 21,180 | 7,262 | Argentina |
| — | — | — | — | — | — | Bolivia |
| 125,646 | 107,207 | 75,650 | 68,150 | 54,994 | 54,994 | Brazil |
| — | — | 21,680 | 20,680 | 19,710 | 19,710 | Chile |
| 60,062 | 60,062 | 26,085 | 25,835 | 21,941 | 21,941 | Colombia |
| 1,189 | 1,189 | 3,000 | 3,000 | 2,887 | 2,887 | Peru |
| — | — | 11,171 | 10,171 | 9,489 | 9,489 | Uruguay |
| — | — | — | — | — | — | Venezuela |
| 3,252 | 3,252 | 500 | 500 | 382 | — | OTHER LATIN AMERICA |
| — | — | — | — | — | — | Costa Rica |
| — | — | — | — | — | — | Cuba |
| — | — | — | — | — | — | Dominican Republic |
| — | — | — | — | — | — | Guatemala |
| — | — | — | — | — | — | Haiti |
| 3,252 | 3,252 | — | — | — | — | Mexico |
| — | — | 500 | 500 | 382 | — | Panama |
| — | — | — | — | — | — | Salvador |
| 59,154 | — | 78,505 | 77,505 | 69,054 | — | OTHER COUNTRIES |
| 59,154 | — | 37,500 | 36,500 | 34,020 | — | Australia |
| — | — | — | — | — | — | China |
| — | — | — | — | — | — | Dutch East Indies |
| — | — | 40,380 | 40,380 | 34,409 | — | Japan |
| — | — | — | — | — | — | Liberia |
| — | — | 625 | 625 | 625 | — | Philippine Islands |
| — | — | — | — | — | — | INTERNATIONAL |
| 824,356 | 308,976 | 1,011,741 | 857,610 | 686,599 | 216,168 | TOTAL |

[b] Including the Saar.

STATUS OF AMERICAN PORTION OF FOREIGN

II. CORPORATE LOANS AND

| Domicile of Borrowers | Corporate | | | |
|---|---|---|---|---|
| | Dollar Loans Issued in All Markets 1897–1935 | Portion Originally Taken in U.S. | | |
| | | Total | Outstanding Dec. 31, 1935 | In Default as to Interest |
| **EUROPE** | **1,455,827** | **1,250,852** | **893,152** | **643,629** |
| Austria | 14,000 | 14,000 | 11,380 | — |
| Belgium | — | — | — | — |
| Bulgaria | — | — | — | — |
| Czechoslovakia | 5,500 | 5,500 | 3,428 | 2,200 |
| Danzig | — | — | — | — |
| Denmark | 19,300 | 15,521 | 9,273 | 995 |
| Estonia | — | — | — | — |
| Finland | 10,000 | 7,000 | 2,860 | — |
| France | 38,500 | 38,500 | 35,971 | — |
| Germany[b] | 859,170 | 706,050 | 458,540 | 456,226 |
| Great Britain | — | — | — | — |
| Greece | — | — | — | — |
| Hungary | 29,850 | 29,350 | 18,817 | 18,817 |
| Ireland | — | — | — | — |
| Italy | 184,683 | 172,993 | 109,252 | 3,781 |
| Lithuania | — | — | — | — |
| Luxembourg | 10,000 | 8,000 | 6,007 | — |
| Netherlands | 40,000 | 38,149 | 38,149 | — |
| Norway | 36,360 | 31,225 | 26,699 | — |
| Poland | 17,464 | 17,464 | 11,166 | — |
| Rumania | — | — | — | — |
| Russia | 29,000 | 29,000 | 29,000 | 29,000 |
| Sweden | 150,000 | 126,100 | 122,640 | 122,640 |
| Yugoslavia | 12,000 | 12,000 | 9,970 | 9,970 |
| **CANADA AND NEWFOUNDLAND** | **1,545,525** | **854,759** | **763,138** | **77,934** |
| **SOUTH AMERICA** | **133,000** | **128,710** | **93,292** | **90,682** |
| Argentina | — | — | — | — |
| Bolivia | — | — | — | — |
| Brazil | 4,000 | 4,000 | 2,610 | — |
| Chile | 80,000 | 76,660 | 57,799 | 57,799 |
| Colombia | 39,000 | 38,050 | 22,883 | 22,883 |
| Peru | — | — | — | — |
| Uruguay | — | — | — | — |
| Venezuela | 10,000 | 10,000 | 10,000 | 10,000 |
| **OTHER LATIN AMERICA** | **112,323** | **103,948** | **103,731** | **102,148** |
| Costa Rica | 1,800 | 1,800 | 1,583 | — |
| Cuba | — | — | — | — |
| Dominican Republic | — | — | — | — |
| Guatemala | — | — | — | — |
| Haiti | — | — | — | — |
| Mexico | 108,523 | 100,148 | 100,148 | 100,148 |
| Panama | 2,000 | 2,000 | 2,000 | 2,000 |
| Salvador | — | — | — | — |
| **OTHER COUNTRIES** | **257,746** | **242,799** | **182,457** | **4,000** |
| Australia | 2,500 | 2,500 | 2,500 | — |
| China | 1,500 | 1,500 | 1,500 | 1,500 |
| Dutch East Indies | 25,000 | 24,350 | 24,350 | — |
| Japan | 206,750 | 201,499 | 143,163 | — |
| Liberia | — | — | — | — |
| Philippine Islands | 21,996 | 12,950 | 10,944 | 2,500 |
| **INTERNATIONAL** | **12,900** | **12,400** | **12,400** | — |
| **TOTAL** | **3,517,321** | **2,593,468** | **2,048,170** | **918,393** |

Dollar Loans, December 31, 1935—*Continued*

TOTAL—LONG TERM

| Total | | | | Domicile of Borrowers |
|---|---|---|---|---|
| Dollar Loans Issued in All Markets 1897–1935 | Portion Originally Taken in U.S. | | | |
| | Total | Outstanding Dec. 31, 1935 | In Default as to Interest | |
| **3,454,476** | **3,055,694** | **2,167,027** | **1,054,453** | EUROPE |
| 78,500 | 68,500 | 56,644 | — | Austria |
| 190,000 | 188,000 | 151,515 | — | Belgium |
| 17,500 | 13,500 | 12,916 | 12,916 | Bulgaria |
| 37,750 | 37,750 | 29,042 | 3,284 | Czechoslovakia |
| 4,500 | 3,000 | 2,590 | — | Danzig |
| 172,800 | 155,521 | 134,380 | 995 | Denmark |
| 4,000 | 4,000 | 3,592 | — | Estonia |
| 53,000 | 42,000 | 32,106 | — | Finland |
| 246,610 | 246,610 | 148,423 | — | France |
| 1,306,820 | 1,121,725 | 755,351 | 752,381 | Germany[b] |
| 143,587 | 143,000 | 20,067 | — | Great Gritain |
| 39,000 | 26,000 | 24,636 | 24,636 | Greece |
| 74,850 | 65,100 | 48,294 | 48,294 | Hungary |
| 15,000 | 15,000 | 1,805 | — | Ireland |
| 358,183 | 341,483 | 239,343 | 3,781 | Italy |
| 1,846 | 1,846 | 1,846 | — | Lithuania |
| 10,000 | 8,000 | 6,007 | — | Luxembourg |
| 46,000 | 44,149 | 43,310 | — | Netherlands |
| 180,790 | 175,655 | 150,435 | — | Norway |
| 158,740 | 139,255 | 96,559 | — | Poland |
| 69,000 | 10,000 | 9,115 | 9,115 | Rumania |
| 29,000 | 29,000 | 29,000 | 29,000 | Russia |
| 150,000 | 126,100 | 122,640 | 122,640 | Sweden |
| 67,000 | 50,500 | 47,411 | 47,411 | Yugoslavia |
| **3,368,034** | **2,040,765** | **1,822,763** | **78,334** | CANADA AND NEWFOUNDLAND |
| **1,573,546** | **1,410,114** | **1,196,734** | **924,911** | SOUTH AMERICA |
| 420,420 | 388,844 | 325,589 | 74,815 | Argentina |
| 68,400 | 63,445 | 54,524 | 54,524 | Bolivia |
| 423,760 | 379,050 | 309,151 | 288,102 | Brazil |
| 286,592 | 256,378 | 228,068 | 228,068 | Chile |
| 196,435 | 177,318 | 144,220 | 144,220 | Colombia |
| 100,182 | 80,142 | 74,143 | 74,143 | Peru |
| 67,757 | 54,937 | 51,039 | 51,039 | Uruguay |
| 10,000 | 10,000 | 10,000 | 10,000 | Venezuela |
| **433,308** | **367,831** | **287,994** | **213,739** | OTHER LATIN AMERICA |
| 9,800 | 9,800 | 8,781 | 7,198 | Costa Rica |
| 214,500 | 175,508 | 115,218 | 72,497 | Cuba |
| 20,000 | 19,000 | 15,464 | — | Dominican Republic |
| 2,515 | 550 | 435 | 435 | Guatemala |
| 20,273 | 20,273 | 9,809 | — | Haiti |
| 130,020 | 116,900 | 116,900 | 116,900 | Mexico |
| 20,000 | 18,800 | 16,895 | 12,217 | Panama |
| 16,200 | 7,000 | 4,492 | 4,492 | Salvador |
| **871,407** | **804,660** | **690,996** | **4,271** | OTHER COUNTRIES |
| 277,000 | 271,200 | 252,704 | — | Australia |
| 1,771 | 1,771 | 1,771 | 1,771 | China |
| 25,000 | 24,350 | 24,350 | — | Dutch East Indies |
| 468,130 | 416,879 | 323,717 | — | Japan |
| 2,192 | 2,192 | 2,192 | — | Liberia |
| 97,314 | 88,268 | 86,262 | 2,500 | Philippine Islands |
| **12,900** | **12,400** | **12,400** | — | INTERNATIONAL |
| **9,713,671** | **7,691,464** | **6,177,914** | **2,275,708** | TOTAL |

STATUS OF AMERICAN PORTION OF FOREIGN

III. GOVERNMENT LOANS

| Domicile of Borrowers | National Government | | | | State and Provincial | |
|---|---|---|---|---|---|---|
| | Dollar Loans Issued in All Markets 1897–1935 | Portion Originally Taken in U S. | | | Dollar Loans Issued in All Markets 1897–1935 | Portion |
| | | Total | Outstanding Dec. 31, 1935 | In Default as to Interest | | Total |
| EUROPE | 80,000 | 80,000 | 80,000 | 80,000 | — | — |
| Germany | — | — | — | — | — | — |
| Hungary | 5,000 | 5,000 | 5,000 | 5,000 | — | — |
| Russia | 75,000 | 75,000 | 75,000 | 75,000 | — | — |
| CANADA AND NEWFOUNDLAND | — | — | — | — | 5,000 | 3,550 |
| SOUTH AMERICA | 16,459 | 4,000 | 4,000 | — | 4,000 | 4,000 |
| Argentina | 16,459 | 4,000 | 4,000 | — | 4,000 | 4,000 |
| Brazil | — | — | — | — | — | — |
| Chile | — | — | — | — | — | — |
| OTHER LATIN AMERICA | — | — | — | — | — | — |
| Mexico | — | — | — | — | — | — |
| OTHER COUNTRIES | 13,685 | 13,685 | 13,685 | 13,685 | — | — |
| China | 13,685 | 13,685 | 13,685 | 13,685 | — | — |
| Philippine Islands | — | — | — | — | — | — |
| TOTAL | 110,144 | 97,685 | 97,685 | 93,685 | 9,000 | 7,550 |

IV. CORPORATE LOANS AND

| Domicile of Borrowers | Corporate | | | |
|---|---|---|---|---|
| | Dollar Loans Issued in All Markets 1897–1935 | Portion Originally Taken in U.S. | | |
| | | Total | Outstanding Dec. 31, 1935 | In Default as to Interest |
| EUROPE | 26,015 | 24,445 | 18,277 | 18,277 |
| Germany | 26,015 | 24,445 | 18,277 | 18,277 |
| Hungary | — | — | — | — |
| Russia | — | — | — | — |
| CANADA AND NEWFOUNDLAND | — | — | — | — |
| SOUTH AMERICA | 10,000 | 10,000 | 8,089 | 8,089 |
| Argentina | — | — | — | — |
| Brazil | — | — | — | — |
| Chile | 10,000 | 10,000 | 8,089 | 8,089 |
| OTHER LATIN AMERICA | 33,102 | 21,720 | 21,720 | 21,720 |
| Mexico | 33,102 | 21,720 | 21,720 | 21,720 |
| OTHER COUNTRIES | 3,800 | 3,800 | 3,800 | 3,800 |
| China | 1,300 | 1,300 | 1,300 | 1,300 |
| Philippine Islands | 2,500 | 2,500 | 2,500 | 2,500 |
| TOTAL | 72,917 | 59,965 | 51,886 | 51,886 |

DOLLAR LOANS, DECEMBER 31, 1935—*Continued*

—SHORT TERM

| Government: Originally Taken in U.S.: Outstanding Dec. 31, 1935 | Government: Originally Taken in U.S.: In Default as to Interest | Municipal: Dollar Loans Issued in All Markets 1897–1935 | Municipal: Portion Originally Taken in U.S.: Total | Municipal: Portion Originally Taken in U.S.: Outstanding Dec 31, 1935 | Municipal: Portion Originally Taken in U.S.: In Default as to Interest | Domicile of Borrowers |
|---|---|---|---|---|---|---|
| — | — | — | — | — | — | EUROPE |
| — | — | — | — | — | — | Germany |
| — | — | — | — | — | — | Hungary |
| — | — | — | — | — | — | Russia |
| 3,550 | — | — | — | — | — | CANADA AND NEWFOUNDLAND |
| 4,000 | 4,000 | 1,770 | 1,770 | 1,256 | 1,256 | SOUTH AMERICA |
| 4,000 | 4,000 | — | — | — | — | Argentina |
| — | — | 1,770 | 1,770 | 1,256 | 1,256 | Brazil |
| — | — | — | — | — | — | Chile |
| — | — | — | — | — | — | OTHER LATIN AMERICA |
| — | — | — | — | — | — | Mexico |
| — | — | — | — | — | — | OTHER COUNTRIES |
| — | — | — | — | — | — | China |
| — | — | — | — | — | — | Philippine Islands |
| 7,550 | 4,000 | 1,770 | 1,770 | 1,256 | 1,256 | TOTAL |

TOTAL—SHORT-TERM LOANS

| Total: Dollar Loans Issued in All Markets 1897–1935 | Total: Portion Originally Taken in U.S.: Total | Total: Portion Originally Taken in U.S.: Outstanding Dec. 31, 1935 | Total: Portion Originally Taken in U.S.: In Default as to Interest | Domicile of Borrowers |
|---|---|---|---|---|
| 106,015 | 104,445 | 98,277 | 98,277 | EUROPE |
| 26,015 | 24,445 | 18,277 | 18,277 | Germany |
| 5,000 | 5,000 | 5,000 | 5,000 | Hungary |
| 75,000 | 75,000 | 75,000 | 75,000 | Russia |
| 5,000 | 3,550 | 3,550 | — | CANADA AND NEWFOUNDLAND |
| 32,229 | 19,770 | 17,345 | 13,345 | SOUTH AMERICA |
| 20,459 | 8,000 | 8,000 | 4,000 | Argentina |
| 1,770 | 1,770 | 1,256 | 1,256 | Brazil |
| 10,000 | 10,000 | 8,089 | 8,089 | Chile |
| 33,102 | 21,720 | 21,720 | 21,720 | OTHER LATIN AMERICA |
| 33,102 | 21,720 | 21,720 | 21,720 | Mexico |
| 17,485 | 17,485 | 17,485 | 17,485 | OTHER COUNTRIES |
| 14,985 | 14,985 | 14,985 | 14,985 | China |
| 2,500 | 2,500 | 2,500 | 2,500 | Philippine Islands |
| 193,831 | 166,970 | 158,377 | 150,827 | TOTAL |

STATUS OF AMERICAN PORTION OF FOREIGN

V. GOVERNMENT LOANS—

| Domicile of Borrowers | National Government | | | | State and Provincial | |
|---|---|---|---|---|---|---|
| | Dollar Loans Issued in All Markets 1897–1935 | Portion Originally Taken in U.S. | | | Dollar Loans Issued in All Markets 1897–1935 | Portion |
| | | Total | Outstanding Dec. 31, 1935 | In Default as to Interest | | Total |
| Europe | 1,586,119 | 1,454,747 | 1,018,519 | 321,626 | 136,200 | 113,125 |
| Canada and Newfoundland | 646,077 | 430,150 | 406,111 | — | 770,630 | 450,875 |
| South America | 948,339 | 827,952 | 717,199 | 481,935 | 347,062 | 307,348 |
| Other Latin America | 317,233 | 260,131 | 180,629 | 108,339 | 3,252 | 3,252 |
| Other Countries | 476,841 | 430,841 | 394,016 | 13,956 | 72,000 | 67,200 |
| International | — | — | — | — | — | — |
| Total | 3,974,609 | 3,403,821 | 2,716,474 | 925,856 | 1,329,144 | 941,800 |

VI. CORPORATE LOANS AND TOTAL

| Domicile of Borrowers | Corporate | | | |
|---|---|---|---|---|
| | Dollar Loans Issued in All Markets 1897–1935 | Portion Originally Taken in U.S. | | |
| | | Total | Outstanding Dec. 31, 1935 | In Default as to Interest |
| Europe | 1,481,842 | 1,275,297 | 911,429 | 661,906 |
| Canada and Newfoundland | 1,545,525 | 854,759 | 763,138 | 77,934 |
| South America | 143,000 | 138,710 | 101,381 | 98,771 |
| Other Latin America | 145,425 | 125,668 | 125,451 | 123,868 |
| Other Countries | 261,546 | 246,599 | 186,257 | 7,800 |
| International | 12,900 | 12,400 | 12,400 | — |
| Total | 3,590,238 | 2,653,433 | 2,100,056 | 970,279 |

Dollar Loans, December 31, 1935—*Continued*

LONG AND SHORT TERM

| Government: Originally Taken in U S.: Outstanding Dec. 31, 1935 | Government: Originally Taken in U S.: In Default as to Interest | Municipal: Dollar Loans Issued in All Markets 1897–1935 | Municipal: Portion Originally Taken in U.S.: Total | Municipal: Portion Originally Taken in U.S.: Outstanding Dec. 31, 1935 | Municipal: Portion Originally Taken in U.S.: In Default as to Interest | Domicile of Borrowers |
|---|---|---|---|---|---|---|
| 89,594 | 69,713 | 356,330 | 316,970 | 245,762 | 99,485 | Europe |
| 415,864 | — | 410,802 | 308,531 | 241,200 | 400 | Canada and Newfoundland |
| 264,042 | 240,011 | 167,374 | 155,874 | 131,457 | 117,539 | South America |
| 3,252 | 3,252 | 500 | 500 | 382 | — | Other Latin America |
| 59,154 | — | 78,505 | 77,505 | 69,054 | — | Other Countries |
| — | — | — | — | — | — | International |
| 831,906 | 312,976 | 1,013,511 | 859,380 | 687,855 | 217,424 | Total |

—LONG AND SHORT-TERM LOANS

| Total: Dollar Loans Issued in All Markets 1897–1935 | Total: Portion Originally Taken in U.S.: Total | Total: Portion Originally Taken in U.S.: Outstanding Dec. 31, 1935 | Total: Portion Originally Taken in U.S.: In Default as to Interest | Domicile of Borrowers |
|---|---|---|---|---|
| 3,560,491 | 3,160,139 | 2,265,304 | 1,152,730 | Europe |
| 3,373,034 | 2,044,315 | 1,826,313 | 78,334 | Canada and Newfoundland |
| 1,605,775 | 1,429,884 | 1,214,079 | 938,256 | South America |
| 466,410 | 389,551 | 309,714 | 235,459 | Other Latin America |
| 888,892 | 822,145 | 708,481 | 21,756 | Other Countries |
| 12,900 | 12,400 | 12,400 | — | International |
| 9,907,502 | 7,858,434 | 6,336,291 | 2,426,535 | Total |

### 7. Foreign Corporate Loans, by Types of Borrowers[a]

Amounts Originally Taken in the United States of Long and Short-Term Loans Not Fully Paid off by December 31, 1935

(In millions of dollars)

| Domicile of Borrowers | Total | Railways | | Utilities | | Financial Institutions | | Others | |
|---|---|---|---|---|---|---|---|---|---|
| | | Amount | *Percentage of Total* | Amount | *Percentage of Total* | Amount | *Percentage of Total* | Amount | *Percentage of Total* |
| Austria | 14 0 | — | — | 9.0 | *64.3* | — | — | 5.0 | *35 7* |
| Czechoslovakia | 5.5 | — | — | — | — | — | — | 5.5 | *100.0* |
| Denmark | 15.5 | — | — | 4.9 | *31.6* | 3.6 | *23.2* | 7.0 | *45 2* |
| Finland | 7.0 | — | — | — | — | 7.0 | *100.0* | — | — |
| France | 38.5 | 15.9 | *41.3* | — | — | — | — | 22.6 | *58.7* |
| Germany | 730.5 | — | — | 241.0 | *33.0* | 219.2 | *30.0* | 270.3 | *37.0* |
| Hungary | 29 4 | — | — | — | — | 26.4 | *90.6* | 3 0 | *9 4* |
| Italy | 173 0 | — | — | 80.2 | *46.4* | 50.5 | *29.2* | 42.3 | *24.4* |
| Luxemburg | 7.5 | — | — | — | — | — | — | 7.5 | *100.0* |
| Netherlands | 38.2 | — | — | — | — | — | — | 38.2 | *100 0* |
| Norway | 31.2 | — | — | 11.0 | *35 3* | 4.5 | *14.4* | 15.7 | *50.3* |
| Poland | 17.5 | — | — | — | — | 17.5 | *100.0* | — | — |
| Russia | 29.0 | 29 0 | *100 0* | — | — | — | — | — | — |
| Sweden | 126.1 | — | — | — | — | 26.1 | *20.6* | 100.0 | *79.4* |
| Yugoslavia | 12.0 | — | — | — | — | 12.0 | *100.0* | — | — |
| Canada | 854.8 | 557 8 | *65 2* | 175.0 | *20.5* | — | — | 122 0 | *14.3* |
| Brazil | 4.0 | 4.0 | *100.0* | — | — | — | — | — | — |
| Chile | 86.7 | — | — | — | — | 86.7 | *100.0* | — | — |
| Colombia | 38.1 | — | — | — | — | 38.1 | *100.0* | — | — |
| Venezuela | 10.0 | — | — | — | — | — | — | 10.0 | *100.0* |
| Costa Rica | 1.8 | 1.8 | *100.0* | — | — | — | — | — | — |
| Mexico | 121.9 | 121.9 | *100 0* | — | — | — | — | — | — |
| Panama | 2.0 | — | — | — | — | 2.0 | *100.0* | — | — |
| Australia | 2.5 | — | — | 2.5 | *100.0* | — | — | — | — |
| China | 2.8 | 2.8 | *100 0* | — | — | — | — | — | — |
| Dutch East Indies | 24 4 | — | — | — | — | — | — | 24.4 | *100.0* |
| Japan | 201.5 | — | — | 161.7 | *80.2* | — | — | 39.8 | *19.8* |
| Philippine Islands | 15 5 | 15.5 | *100.0* | — | — | — | — | — | — |
| International | 12 4 | — | — | 12.4 | *100.0* | — | — | — | — |
| Total | 2653.3 | 748.7 | *28.2* | 697.7 | *26.3* | 493.6 | *18.6* | 713.3 | *26.9* |

[a] The totals distributed here are from pp. 658 and 660 above.

## APPENDIX F

## LIST OF FOREIGN DOLLAR BONDS

The basic list of foreign dollar loans used in Appendix E was originally compiled from the following sources: Hearings before the Senate Committee on Finance,[1] *Kimber's Record of Government Debts*, the *Commercial and Financial Chronicle*, the *Monetary Times*, and the lists published by the Department of Commerce in *American Underwriting of Foreign Securities*, 1929, 1930, and 1931, and in the *Balance of Payments* for 1932 through 1935.[2] For Germany the basic sources of information were two books: *Bankers' Profits from German Loans* (1932), and *Deutsche Anleihen im Ausland 1924-28* (1929), by Robert R. Kuczynski. The compiled list was then checked against the financial manuals, the list of the Institute of International Finance, and the corrected list of loans kept on file at the Department of Commerce. The purpose of the present appendix is to make our list available to others, with the publication of a minimum number of items.

The lists of foreign loans published by the Department of Commerce are limited to loans publicly offered. They include issues by American and American-owned foreign corporations whenever the proceeds were specified as intended for use in foreign countries. These compilations were started about 1926, and were intended for use as a rough measure and indicator of the trend of the movement of capital abroad. When those lists are used as the basis for estimates of American portfolio investments abroad, as in the present case, it is necessary (1) to

[1] 72 Cong. 1 sess., *Sale of Foreign Bonds or Securities in the United States*, Hearings on S. res. 19 before the Senate Committee on Finance.

[2] U. S. Dept. of Commerce, *Trade Promotion Series No. 104* (1930), *Trade Information Bulletin, Nos. 746* (1931), *802* (1932), *814* (1933), *819* (1934), *826* (1935), *833* (1936).

eliminate loans issued by or for American-controlled corporations operating abroad (direct investments); (2) to add loans identified from other sources, including privately taken issues; and (3) to adjust for differences in the amounts at which the same loans were carried by the present compiler and by the Department of Commerce—amounting in the aggregate to a net addition of 35.8 million dollars.

The items involved in the first two of these classes of adjustments are shown in detail in the tables that follow. In these lists no account has been taken of items amounting to less than 1 million dollars. In the case of many Canadian issues included in list 2, the *Monetary Times* published the prices paid by the bankers handling the loans, but did not give the corresponding prices to the public. For such loans, no price has been entered in the last column of the table.

## 1. Dollar Loans in Commerce List but Not in Our List

(Amounts taken in the United States are shown in thousands of dollars)

### I. GOVERNMENT AND GOVERNMENT-GUARANTEED OR CONTROLLED ISSUES

Calendar Year 1922

| Loan Description | Amount Taken in the United States |
|---|---|
| Brazil: State of Bahia, sinking fund preference bonds[a] | 5,000 |

Calendar Year 1926

| Loan Description | Amount Taken in the United States |
|---|---|
| Panama: National Bank, guaranteed s f g.b., series A[b] | 1,000 |

### II. CORPORATE ISSUES

Calendar Year 1915

| Loan Description | Amount Taken in the United States |
|---|---|
| Canada: | |
| Northern Ontario Light & Power Co. (Ltd ), s f.g b of 1911 | 4,559 |
| Granby Consolidated Mining, Smelting & Power Co. (Ltd ), first mortgage convertible bonds | 2,000 |
| Bell Telephone Co of Canada, debentures of 1895 | 3,699 |
| Chile: Chile Copper Co., closed collateral trust convertible gold bonds | 15,000 |
| Cuba: | |
| Havana Electric Railway, Light & Power Co., secured gold notes of 1914 | 2,000 |
| Maniti [Manati] Sugar Co., first mortgage gold bonds | 2,500 |
| Punta Alegre Sugar Co., first mortgage convertible gold bonds | 1,250 |

Calendar Year 1916

| Loan Description | Amount Taken in the United States |
|---|---|
| Canada: | |
| Great Lakes Power Co. (Ltd.), first mortgage serial gold bonds | 1,000 |
| St Maurice Paper Co. (Ltd ), first mortgage s.f.g.b | 1,250 |
| Chile: Braden Copper Mines, s.f g.b. | 15,000 |
| Cuba: | |
| Monita (Manati) Sugar Co , first mortgage convertible bonds | 4,000 |
| Punta Alegre Sugar Co., collateral trust convertible bonds | 3,000 |
| Cuba Railroad Co., secured gold notes of 1915 | 3,000 |
| Cuban Sugar Mills Corporation, first mortgage s f g.b. | 1,500 |
| Central Teresa Sugar Co., collateral trust sinking fund notes | 1,000 |

Calendar Year 1917

| Loan Description | Amount Taken in the United States |
|---|---|
| Canada: | |
| United States Rubber Co , first and refunding mortgage gold bonds | 6,900 |
| Pacific Mills (Ltd.) (paper), first mortgage guaranteed gold bonds | 2,000 |
| New Brunswick Power Co. (Ltd.), first mortgage gold bonds | 1,750 |
| Canadian Copper Corporation (Ltd ), first mortgage convertible s f g b | 2,500 |
| Chile: Chile Copper Co., convertible bonds, series A | 35,000 |
| Cuba: | |
| Central Teresa Sugar Co., guaranteed equipment trust sinking fund notes | 1,000 |
| Cuban-American Sugar Co., first lien serial gold bonds | 6,000 |

[a] The Department of Commerce reports that this loan was not issued.
[b] The Department of Commerce reports that this is a duplicate of the loan listed in 1925.

## Dollar Loans in Commerce List but Not in Our List—*Continued*

### corporate issues—*Continued*

Calendar Year 1918

| | |
|---|---|
| Canada: | |
| Shawinigan Water & Power Co , convertible notes of 1917 | 1,000 |
| United Fuel & Gas Co. of Hamilton, Ontario (Ltd.), first mortgage s.f g b | 1,050 |
| Cuba Central Sugar Corp , gold notes .. | 1,000 |

Calendar Year 1919

| | |
|---|---|
| Canada: Riordon Pulp & Paper Co. (Ltd ), general mortgage s f g.b.. | 4,000 |
| Cuba· | |
| Cuba Railway, first mortgage bonds of 1902 . . | 1,150 |
| West India Sugar Finance Corporation | 5,000 |
| Haiti: Haitian-American Corp (public utility), serial notes . | 3,000 |
| Philippine Islands· Manila Electric Railway & Lighting Corp., gold notes | 1,500 |

Calendar Year 1920

| | |
|---|---|
| Canada: | |
| Granby Consolidated Mining, Smelting & Power Co. (Ltd ), convertible debentures . . . . . . .. | 2,500 |
| Bell Telephone Co , gold bonds.. . . . . | 2,000 |
| Massey-Harris Co. (Ltd.) (agricultural machinery), sinking fund gold debentures .... . . . . . | 2,000 |
| Riordon Corporation (Ltd ) (paper), first mortgage and refunding s f g.b., series A..... ......... . .... | 6,000 |
| Cuba· | |
| Cuba Cane Sugar Corporation, convertible debentures ..... . | 25,000 |
| Cuba Railroad, equipment trust certificates . | 1,700 |
| Central Sugar Corporation, convertible gold notes .. | 3,000 |
| Mexico: U. S. Mexican Oil Corporation, first lien collateral trust gold notes .. | 1,000 |
| Peru: Cerro de Pasco Copper Corporation, convertible s f g b. .. . .. | 8,000 |

Calendar Year 1921

| | |
|---|---|
| Canada: | |
| Spanish River Pulp & Paper Mills (Ltd.), general mortgage bonds, series A . | 1,000 |
| Mount Royal Hotel Co. (Ltd.), convertible debentures of 1920. .. ..... | 2,000 |
| Bathurst Co. (Ltd.) (lumber), convertible first mortgage bonds, series A .. | 1,500 |
| International Paper Co., first and refunding mortgage sinking fund bonds, series B...... .. .... . ... . ... ...... .. .. ...... | 12,500 |
| Cuba: | |
| Caribbean Sugar Co , notes. . . .. ...... .. . . ... .. | 1,500 |
| United Railways of Havana and Regla Warehouses, equipment trust certificates... . . . . . .. . ... .. ... . . . . | 6,000 |
| Cuban-American Sugar Co , first mortgage collateral trust s.f g b.... . .. | 10,000 |
| Havana Docks Corporation, first collateral lien bonds .. .. . . . | 3,300 |
| Havana Electric Railway, Light & Power Co , secured convertible gold notes | 1,500 |
| Cuban Telephone Co., first lien and refunding mortgage gold bonds, series A. | 4,000 |
| Cuba Railway, first lien and refunding gold bonds, series A... . . . .. | 4,000 |
| Honduras: Cuyamel Fruit Co., first mortgage s.f.g.b........ .. ...... ... | 3,500 |
| Mexico: Mexican Petroleum Co., convertible s.f.g.b...... ..... ...... .. | 10,000 |
| Paraguay: International Products Co. (lumber), first mortgage notes.. .. | 2,272 |

## Dollar Loans in Commerce List but Not in Our List—*Continued*

### CORPORATE ISSUES—*Continued*

Calendar Year 1922

| | |
|---|---|
| Canada: | |
| Canadian General Electric Co. (manufacturers electrical equipment), gold debentures, series A | 5,000 |
| Firestone Tire & Rubber Co (Ltd ), first mortgage s f g b | 1,500 |
| Mount Royal Hotel Co (Ltd ), debentures | 1,000 |
| Bathurst Co. (Ltd ) (lumber), first mortgage convertible bonds | 1,500 |
| United Gas & Fuel Co (Ltd ), first mortgage s f g b | 1,880 |
| Cuba: | |
| New Niquero Sugar Co , first mortgage s f g b | 1,000 |
| Manati Sugar Co., first closed mortgage, s f g b | 8,000 |
| Francisco Sugar Co , first mortgage s.f g b | 5,000 |
| Punta Alegre Sugar Co., convertible debentures | 5,821 |
| Baragua Sugar Co , first mortgage s f g.b. | 4,500 |
| Habana Electric Railway, Light & Power Co , general mortgage sinking fund bonds of 1919, series A | 3,600 |
| Eastern Cuba Sugar Corporation, first mortgage s f g b. | 10,000 |
| Sugar Estates of Oriente, first mortgage sinking fund bonds | 6,000 |
| Sevilla-Biltmore Hotel Corporation, first mortgage s f g b. | 2,000 |
| Camaguey Sugar Co , first mortgage s f g b | 6,000 |
| Vertientes Sugar Co , first mortgage s f g b | 10,000 |
| Philippine Islands Manila Electric Co., first refunding mortgage gold bonds | 2,500 |

Calendar Year 1923

| | |
|---|---|
| Canada: Northern Canada Power (Ltd ) | 1,500 |
| Cuba: | |
| Santa Ana Sugar Co , first closed mortgage sinking fund bonds | 3,225 |
| Beattie Sugar Co., first mortgage bonds | 3,000 |
| Ermita Sugar Co , first mortgage convertible s f g b. | 1,200 |
| Warner Sugar Corporation, first mortgage s.f g b., series A. | 6,000 |

Calendar Year 1924

| | |
|---|---|
| France: International Power Securities Corporation, collateral trust gold bonds, series B | 4,000 |
| Canada: | |
| Montreal Tramways & Power Co. (Ltd.), collateral trust gold bonds | 6,000 |
| King Edward Hotel Co (Ltd.), refunding sinking fund mortgage bonds, series A | 1,000 |
| Wood & English (Ltd ), (lumber), first mortgage and collateral trust s.f g b. | 1,000 |
| St. Regis Paper Co. (Ltd ), serial gold debentures | 1,500 |
| Duke Price Power Co. (Ltd.), first mortgage gold bonds | 12,000 |
| Pacific Mills (Ltd.) (paper), guaranteed subordinate mortgage s f g b. | 1,875 |
| St. Maurice Paper Co. (Ltd.), gold notes | 2,600 |
| Chile: Andes Copper Mining Co., convertible debentures | 40,000 |
| Cuba: | |
| Antilla Sugar Co , first mortgage s f g b , series A | 6,000 |
| Cuba Northern Railways, equipment trust gold certificates. | 1,680 |
| Ferrer Sugar Co., first mortgage s.f g.b. | 1,500 |
| Cuba Northern Railways, first mortgage s f g b. of 1916. | 4,500 |
| Cespedes Sugar Co , first mortgage s f g.b. | 3,000 |
| Cuban Dominican Sugar Co., first lien s.f.g.b. | 15,000 |
| Guatemala and Salvador: | |
| International Railways of Central America, first mortgage s f.g.b. of 1912. | 1,000 |
| International Railways of Central America, first mortgage s.f g.b. of 1912. | 2,500 |

## Dollar Loans in Commerce List but Not in Our List—*Continued*

### corporate issues—*Continued*

Calendar Year 1925

| | |
|---|---|
| Austria: European Mortgage & Investment Corporation first lien, s f g b., series A. | 2,400 |
| Norway: | |
| Norwegian Nitrogen Co., s.f g b | 1,800 |
| Sauda Falls Co. (Ltd.) (public utility), first mortgage s f g b., series A | 4,000 |
| Spain-Italy: International Telephone & Telegraph Co., convertible gold debentures | 25,000 |
| Canada: | |
| Bell Telephone Co. of Canada, first mortgage gold bonds, series A. | 15,000 |
| Northwestern Utilities (Ltd ), first mortgage gold bonds | 1,500 |
| International Paper Co , refunding mortgage s f.g.b , series A | 15,788 |
| Granby Consolidated Mining, Smelting & Power Co. (Ltd ), convertible debentures | 2,500 |
| Minnesota & Ontario Paper Co , first mortgage s.f.g.b , series A | 8,000 |
| Victoria Lumber & Manufacturing Co. (Ltd.), first mortgage serial gold bonds | 1,500 |
| Abitibi Power & Paper Co. (Ltd.), guaranteed notes | 1,600 |
| Bell Telephone Co. of Canada, first mortgage gold bonds, series A | 3,000 |
| Chile: Anglo-Chilean Consolidated Nitrate Corporation, convertible sinking fund debentures | 16,500 |
| Colombia: Andean National Corporation (Ltd.) (oil), first mortgage s f.g b | 10,000 |
| Cuba: | |
| Cuba Co. (railroad), secured convertible s.f g.b. | 10,000 |
| Punta Alegre Sugar Co , gold notes | 2,000 |
| Hershey Chocolate Co. (sugar), first closed mortgage and collateral first s.f.g.b | 2,600 |
| Honduras Cuyamel Fruit Co , first mortgage s.f g b. | 5.000 |
| Guatemala: | |
| International Railways of Central America, first mortgage s.f g b. of 1912 | 1,600 |
| International Railways of Central America, first mortage s.f.g.b. of 1912 | 1,250 |

Calendar Year 1926

| | |
|---|---|
| Hungary: European Mortgage and Investment Corporation, first lien s.f g.b., series B | 5,000 |
| Poland: Silesian-American Corporation (mining), collateral trust s f.g.b. | 15,000 |
| Canada: | |
| Powell River Pulp and Paper Co., serial gold notes | 4,000 |
| Shawinigan Water and Power Co., first refunding mortgage s.f g.b., series E | 1,000 |
| Minnesota and Ontario Paper Co., first mortgage s.f.g.b., series B | 2,000 |
| Duke Price Power Co. (Ltd ), first mortgage s f g.b., series A | 37,000 |
| Minnesota and Ontario paper Co , gold notes | 3,500 |
| Gatineau Power Co (Ltd.), first mortgage gold bonds | 17,500 |
| Gatineau Power Co., sinking fund gold debentures | 8,750 |
| St. Anne Paper Co. (Ltd.), first mortgage s.f.g.b., series A | 2,500 |
| Brompton Pulp and Paper Co. (Ltd.), first refunding mortgage sinking fund bonds | 2,000 |
| International Paper Co , convertible gold debentures | 15,000 |
| Steel's Consolidated (Ltd.) (chain stores), first refunding gold bonds | 1,500 |
| Chile: Chile Copper Co , gold debentures | 35,000 |
| Cuba: | |
| Cuba Railway Co., first lien and refunding gold bonds, series B | 1,376 |
| Caribbean Sugar Co., first mortgage s.f.g.b. | 2,600 |
| Compania Cubana (sugar), guaranteed gold notes | 5,000 |
| Habana Electric Railway Co., gold debentures | 5,500 |

## Dollar Loans in Commerce List but Not in Our List—*Continued*

### corporate issues—*Continued*

Calendar Year 1926—*Continued*

| | |
|---|---|
| Guatemala and Salvador: International Railways of Central America, first mortgage and collateral gold notes | 3,500 |
| Belgium: Solvay-American Investment Corporation, secured gold notes, series A | 14,130 |
| Great Britain: Kemsley Milbourn and Co. (finance company), sinking fund consolidated debentures | 1,000 |
| Hungary: | |
| European Mortgage and Investment Corporation, first lien farm loan s f g.b series B | 1,098 |
| European Mortgage and Investment Corporation, first lien real estate s.f.g.b., series C | 7,000 |
| Canada: | |
| Campbell River Timber Co., first mortgage s.f.g.b | 1,225 |
| Aluminum Co. of America (mining), sinking fund debentures | 10,000 |
| Minnesota and Ontario Paper Co, first mortgage s f g.b, series C | 3,675 |
| Spruce Falls Power and Paper Co (Ltd.), first mortgage serial gold bonds | 11,500 |
| Investment Bond and Share Corporation, debentures, series A | 1,400 |
| The Bell Telephone Co. of Canada, first mortgage gold bonds, series B | 5,115 |
| Montreal Coke and Manufacturing Co, first mortgage s f g.b, series A | 4,000 |
| Consolidated Water Power and Paper Co, first mortgage gold bonds, series A | 3,200 |
| Gatineau Power Co., first mortgage g b | 12,725 |
| Brazil: Pan American Industrial Corporation (mining), first lien and collateral trust gold bonds | 3,000 |
| Cuba: | |
| Cuban Northern Railway Co., first mortgage gold bonds, series of 1942 | 20,000 |
| International Telephone and Telegraph Co., debentures (including Chile and Uruguay) | 35,000 |
| Punta Alegre Sugar Co., gold notes | 4,000 |
| Guatemala and Salvador: International Railways of Central America, first lien and refunding mortgage gold bonds | 6,000 |
| Mexico: Potrero Sugar Co., first mortgage s.f.g.b. | 2,000 |
| Venezuela: Gulf Oil Corporation, debenture s.f.g.b. (Mexico and Venezuela) | 10,000 |
| Australia and New Zealand: Union Atlantic Oil Co., gold bonds | 4,000 |
| Philippine Islands: Manila Gas Co., first lien collateral trust gold bonds | 2,250 |

Calendar Year 1928

| | |
|---|---|
| Hungary: European Mortgage and Investment Corporation, first lien real estate s f.g.b., series C | 6,000 |
| Canada: | |
| Aldred Investment Corporation, debentures, series A | 1,000 |
| Famous Players Canadian Corporation (Ltd), gold debentures | 1,000 |
| Famous Players Canadian Corporation (Ltd.), first mortgage s.f g.b., series A | 1,000 |
| Detroit Canada Tunnel Co. (public utility), first mortgage s.f.g.b. | 2,830 |
| Detroit Canada Tunnel Co., convertible sinking fund gold debentures | 2,830 |
| Great Lakes Paper Co. (Ltd.), first mortgage s.f g.b, series A | 5,000 |
| Aluminum (Ltd.), sinking fund debenture gold bonds | 20,000 |
| Gatineau Power Co., gold debentures, series B | 5,500 |
| Gatineau Power Co., first mortgage gold bonds | 5,530 |
| Newfoundland: International Power and Paper Co. of Newfoundland (Ltd.), first mortgage gold bonds, series of 1928 | 4,866 |

CORPORATE ISSUES—*Continued*

Calendar Year 1928—*Continued*

| | |
|---|---|
| Argentina: | |
| Intercontinents Power Co. (public utility), debentures. series A | 3,000 |
| International Telephone and Telegraph Corporation, convertible debentures | 57,300 |
| Chile: Intercontinents Power Co., debentures, series A | 1,500 |
| Cuba: | |
| Francisco Sugar Co., gold notes | 2,000 |
| Guantanamo and Western Railroad Co , first mortgage gold bonds, series A | 3,000 |
| Society of Jesus of Habana, first mortgage gold bonds (Belen College) | 1,400 |
| Dominican Republic: The Islands Edison Co., secured s f.g.b., series A. | 2,250 |
| Nicaragua: Public Utilities Consolidated Corporation, first mortgage collateral convertible gold bonds | 1,000 |

Calendar Year 1929

| | |
|---|---|
| Canada: | |
| Consolidated Investment Corporation of Canada, first collateral trust gold bonds, series A | 1,500 |
| Bell Telephone Co. of Canada, first mortgage g b , series B. | 7,500 |
| Great Britain and Canada Investment Corporation, convertible debentures | 1,450 |
| International Hydro-Electric System, convertible gold debentures | 13,000 |
| Oneida Community (Ltd ), s f g notes | 2,000 |
| Canadian International Paper Co , first mortgage gold bonds | 21,745 |
| Gatineau Power Co., first mortgage gold bonds | 7,700 |
| Argentina: Intercontinents Power Co., debentures, series A | 1,500 |
| Brazil: Intercontinents Power Co , debentures, series A | 1,500 |
| Chile: Lautaro Nitrate Co (Ltd ), first mortgage convertible gold bonds | 28,000 |
| Mexico: El Paso Electric Co. (Texas), first mortgage gold bonds, series A, issue of 1925 | 1,000 |

Calendar Year 1930

| | |
|---|---|
| International: | |
| International Telephone and Telegraph Corporation, gold debenture bonds. | 40,000 |
| American and Foreign Power Co. (Inc.), gold debentures, series due 2030. | 48,525 |
| Canada: | |
| Bell Telephone Co. of Canada (Ltd.), first mortgage gold bonds, series B | 3,150 |
| Central States Power and Light Corporation, first mortgage and first lien gold bonds, series due 1953 | 1,000 |
| Bell Telephone Co. of Canada, first mortgage gold bonds, series C | 3,750 |
| Argentina: | |
| South American Railways Co., convertible gold notes | 12,000 |
| Intercontinents Power Co., convertible debentures, series due 1948 | 3,000 |

Calendar Year 1931

| | |
|---|---|
| Canada: | |
| Gatineau Power Co., first mortgage gold bonds | 5,950 |
| British Columbia Telephone Co., first mortgage gold bonds, series A | 2,500 |
| Dominion Gas and Electric Co., first lien collateral gold bonds | 7,000 |
| Cuba: Cuban American Sugar Co., first mortgage collateral sinking fund gold bonds | 3,000 |

Calendar Year 1933

| | |
|---|---|
| Argentina: Public Utility Holding Corporation of America | 6,091 |

Calendar Year 1935

| | |
|---|---|
| Canada: Canadian Utilities, (Ltd.), first mortgage bonds, series A | 2,000 |

## 2. Dollar Loans Added to Commerce List

(Amounts taken in the United States are given in par values in thousands of dollars)

| Issuer and Class of Security | Month Offered | Taken in U.S. | Interest (Per cent) | Term[a] (Years) | Approximate Price to Public |
|---|---|---|---|---|---|
| **Calendar Year 1915** | | | | | |
| Bolivia: | | | | | |
| Govt. of Bolivia, notes | ... | 1,000 | 6 | 1–2 | ... |
| Canada: | | | | | |
| Ottawa, notes | Feb. | 1,000 | 5 | 1 | ... |
| Edmonton | Mar. | 1,000 | 5 | 1 | .. |
| Victoria | Mar. | 1,000 | 5 | 3 | 98.63 |
| Toronto | Apr. | 2,500 | 4½ | 30–40 | 90.67 |
| Ontario | May | 2,000 | 3⅞ | ¾ | ... |
| Donnacona Paper Co., (Ltd.), first s.f.g.b. | June | 1,500 | 6 | 25 | ... |
| Toronto, notes | Sept. | 2,500 | 5 | ¾ | ... |
| Ontario, notes | Sept. | 3,000 | 3⅜ | ¾ | .. |
| Saskatchewan, g b | Oct. | 1,750 | 5 | 10 | 96.60 |
| Canadian Car & Foundry Co., bonds | Oct. | 1,000 | 6 | 1 | .. |
| Grand Trunk Ry., notes | ... | 4,000 | 5 | 2 | 98.14 |
| Bathurst Lumber Co., (Ltd.), first mtge. bonds | Nov. | 1,000 | 6 | 5 | .. |
| Manitoba | Dec. | 1,000 | 5 | 3 | 99.31 |
| Cuba: | | | | | |
| Govt. of Cuba, notes | Nov. | 6,273 | 6 | 3 | ... |
| **Calendar Year 1916** | | | | | |
| Argentina: | | | | | |
| Govt of Argentina, discount notes | Dec. | 16,800 | | ½ | 95.00 |
| Govt. of Argentina, discount notes | Dec. | 5,000 | | 1 | .. |
| Canada: | | | | | |
| Canadian Northern Ry., secured g. notes | Jan. | 2,500 | 5 | 1 | 100.00 |
| Manitoba, bonds | Jan. | 1,000 | 5 | 3 | ... |
| Mattagami Pulp & Paper Co., (Ltd ) | May | 1,000 | 6 | 21 | ... |
| Manitoba, bonds | Aug. | 3,100 | 5 | 10 | .. |
| Dominion of Canada, internal loan | Sept. | 30,000 | 5 | 15 | 97.50 |
| Abitibi Power & Paper Co., (Ltd.), notes | Oct. | 1,500 | 6 | 3 | . |
| Winnipeg, bonds | Dec. | 2,000 | 5 | 10 | 97.375 |
| Vancouver Drydocks, (Ltd.), bonds | Dec. | 2,000 | 6 | L | ... |
| Saskatchewan, deb. | Dec. | 1,375 | 4½ | 10 | ... |
| China: | | | | | |
| American International Corp | ... | 1,150 | ... | S | ... |
| Republic of China | Mar. | 1,186 | 6 | 3 | 95.00 |
| France: | | | | | |
| French industrial discount bills | Nov. | 50,000 | 6 | ¼ | ... |
| Sweden: | | | | | |
| Govt. of Sweden | Feb. | 5,000 | 6 | 2 | 100.00 |
| Uruguay: | | | | | |
| Govt. of Uruguay, g.b. | Jan. | 1,505 | 5 | 38 | 90.00 |
| Govt of Uruguay, g.b | Mar. | 4,000 | 6 | S | ... |
| Govt. of Uruguay | Dec. | 2,500 | 6 | 1 | ... |

[a] The letters L and S are used to indicate long and short-term loans respectively in cases where the approximate, but not the exact duration of the loan is known. Short-term loans are loans of five years' duration or less. All others are classed as long term.

### Dollar Loans Added to Commerce List—*Continued*

| | | | | | |
|---|---|---|---|---|---|
| **Calendar Year 1917**[b] | | | | | |
| Argentina: | | | | | |
| Govt. of Argentina, discount notes ... | June | 11,200 | | ¼ | ... |
| Canada: | | | | | |
| Ontario, g b. series P. | Jan. | 1,000 | 5 | 6 | .. |
| Vancouver, treasury notes .. | Jan. | 1,674 | 5½ | 3 | . |
| Dominion of Canada (Victory loan), g b. | Nov. | 10,000 | 5½ | 5–10–20 | 100.00 |
| **Calendar Year 1918** | | | | | |
| Canada: | | | | | |
| Dominion of Canada (Victory loan) bonds | Nov. | 25,000 | 5½ | 5–15 | 100.00 |
| Santo Domingo: | | | | | |
| Republic of Santo Domingo, g funding bonds......... | Oct. | 4,161 | 5 | 20 | .. |
| **Calendar Year 1919** | | | | | |
| Belgium: | | | | | |
| Commercial discount bills.......... .. | Sept. | 10,000 | 4 3/16 | ¼ | ... |
| Belgian treasury notes.......... | . | 11,600 | ... | 1–5 | ... |
| Brazil: | | | | | |
| State of Santa Catharina, external sec. s.f.g.b.............. | . . | 5,000 | 6 | 25 | ... |
| Canada: | | | | | |
| Grand Trunk Pacific Ry., bonds ...... | Jan. | 1,250 | 4 | 43 | .. |
| Ontario, g.b., series CC | Apr. | 3,000 | 5½ | 3 | 98.30 |
| Whalen Pulp and Paper Mills, Ltd., first ref. ser g.b ... | May | 1,250 | 6 | 6–17 | 98.90 |
| New Brunswick, g.b.. | May | 1,000 | 5½ | 3 | 99.50 |
| Ontario. | Sept. | 2,750 | 5½ | 10 | 99.50 |
| Ontario, g.b., series GG.. ... | Dec. | 2,300 | 5½ | 10 | 97.76 |
| Manitoba bonds. .... | Dec. | 4,000 | 6 | 5 | 97.89 |
| Alberta.... | Dec. | 1,500 | 5½ | 10 | 92.04 |
| China: | | | | | |
| Chinese govt. loan.. | . | 5,500 | 6 | 2 | 91.00 |
| **Calendar Year 1920** | | | | | |
| Belgium: | | | | | |
| Belgian treasury notes..... | ... | 4,144 | 6 | 1 | ... |
| Govt. of Belgium, notes | . . | 4,153 | ... | S | ... |

[b] On Apr. 7, 1917 American corporations held French and British treasury notes totalling $126,821,000 which had been taken on munition contracts. These are summarized below, in thousands of dollars, by companies and maturity dates.

France:

| | | |
|---|---|---|
| E. I. du Pont de Nemours & Co.... | 3,787 | Nov. 2, 1917 |
| E. I. du Pont de Nemours & Co. | 2,717 | Dec. 15, 1917 |
| E. I. du Pont de Nemours & Co. | 2,740 | Mar. 15, 1918 |

Great Britain:

| | | |
|---|---|---|
| American Locomotive Co........ | 2,000 | Date uncertain |
| Behtlehem Steel Co. | 37,300 | Feb. 1, 1919 |
| E. W. Bliss Co... | 2,225 | Apr. 2, 1919 |
| E. I. du Pont de Nemours & Co.. | 15,950 | Oct. 2, 1917 |
| E. I. du Pont de Nemours & Co | 12,987 | Dec. 15, 1917 |
| E. I. du Pont de Nemours & Co... | 17,829 | Mar. 15, 1918 |
| Marlin Arms Corp.......... | 1,954 | Apr. 30, 1919 |
| Remington-Winchester.. | 27,332 | Oct. 21, 1919 |

These amounts have been included in our loan totals for the year 1917. 74 Cong. 2 sess., *Munitions Industry*, Hearings on S. res. 206 before Senate Special Committee Investigating the Munitions Industry (1937), Part 34, and Part 29, p. 9205.

## Dollar Loans Added to Commerce List—*Continued*

### Calendar Year 1920—*Continued*

| | | | | | |
|---|---|---|---|---|---|
| Canada: | | | | | |
| Canadian Northern Ry., ser | Jan. | 7,500 | 6 | 9 | 98.30 |
| Saskatchewan.. | Jan. | 3,500 | 6 | 5 | 96.86 |
| British Columbia | Jan | 2,450 | 5 | 5 | . . |
| Edmonton . . . | Feb | 1,525 | 5½ | 10 | |
| Greater Winnipeg Water District | Mar. | 1,250 | 6 | 10 | ... |
| Manitoba, notes . | Apr. | 2,850 | 6 | 5 | 95.84 |
| Manitoba, Rural Credit treasury bills | May | 1,000 | 5 | ⅓ | . . |
| Ontario, treasury notes . . | July | 3,000 | 6 | ½ | . |
| Ontario .... . . . . . | July | 5,000 | 6 | 10 | ... |
| Edmonton, notes | Sept. | 2,130 | 6 | S | |
| Ontario .. | Oct. | 3,000 | 6 | 3 | 97.75 |
| Ontario | Oct. | 3,000 | 6 | ½ | .. |
| Provincial Paper Mills Ltd., bonds . | Nov. | 1,000 | 6 | 20 | 100.00 |
| Colombia: | | | | | |
| City of Medellin.. .. . .. . | .. | 2,500 | 6 | 4 | ... |
| Lithuania: | | | | | |
| Lithuanian govt. liberty loan .. . | July | 1,846 | 5 | 15 | .. |
| Poland: | | | | | |
| Polish govt. bonds and notes | Jan. | 6,800 | 5 | 3 | . . |
| Rumania: | | | | | |
| Govt of Rumania notes . | . | 1,373 | ... | S | . |
| Rumanian treasury notes | . | 1,592 | 7 | L | ... |

### Calendar Year 1921

| | | | | | |
|---|---|---|---|---|---|
| Argentina: | | | | | |
| Argentine State Ry. notes .. . | | 5,175 | 5 | 6 | .. |
| Argentine govt , notes . | Nov. | 13,000 | 6 | 5 | 100.00 |
| Bolivia: | | | | | |
| Govt. of Bolivia, serial bonds .. | ... | 7,000 | 8 | 20 | 87.50 |
| Canada: | | | | | |
| Manitoba . . | May | 2,079 | 6 | 10 | 91.50 |
| Cedar Rapids Mfg. and Power Co | Sept. | 1,000 | 5 | 40 | 81.71 |
| Manitoba . . . . | Oct. | 4,750 | 6 | 25 | 99 54 |
| China: | | | | | |
| Peking Kalgan Ry. ... . .. | .. | 1,300 | ... | 4 | ... |
| Chinese govt (Kiuhan Ry.) . . .. | . | 1,500 | ... | L | ... |
| Mexico: | | | | | |
| Mexican govt. ry. notes . .. . | .. | 2,802 | ... | S | ... |

### Calendar Year 1922

| | | | | | |
|---|---|---|---|---|---|
| Argentina: | | | | | |
| Argentine State Ry. notes . . . . . . | .. | 1,097 | 5 | 5 | ... |
| Canada: | | | | | |
| Winnipeg Water District.. ... . | Apr. | 4,000 | 5 | 30 | ... |
| Alberta . . ..... .. . . | Aug. | 2,000 | 5½ | 5 | 100.00 |
| Alberta ....... . . . | Sept. | 3,000 | 5 | 20 | 98.045 |
| Montreal . . . . . . . . .. | Nov. | 8,100 | 5½ | ¼ | ... |
| Montreal ... ...... ...... ... | Nov. | 16,139 | 5 | 20 | 97.00 |
| Colombia: | | | | | |
| Department of Cauca Valley.... ...... | July | 1,400 | 7 | 10 | ... |
| Philippine Islands: | | | | | |
| Philippine govt. irrigation and public works bonds................ .... | July | 2,000 | 4½ | 30 | 97.00 |
| Uruguay: | | | | | |
| Republic of Uruguay, treasury notes .... | Feb. | 2,300 | 6 | 1 | 100.00 |

## Dollar Loans Added to Commerce List—*Continued*

Calendar Year 1923

| | | | | | |
|---|---|---|---|---|---|
| Canada: | | | | | |
| Ontario, treasury bills.. ... | May | 5,000 | 5 | ⅓ | 99.85 |
| Gurney Foundry Co., (Ltd.), ser coupon | June | 1,200 | 6½ | 2–15 | 100.00 |

Calendar Year 1924

| | | | | | |
|---|---|---|---|---|---|
| Argentina: | | | | | |
| Argentine govt , treasury gold notes | Feb. | 20,000 | 5½ | ½ | 100.00 |
| Argentine govt., notes .. . . . | Aug. | 20,000 | 5 | ½ | 100.49 |
| Canada: | | | | | |
| Montreal Metropolitan Commission . . | June | 2,612 | 5 | 27 | .. |
| British Columbia... .. ... . . | July | 1,354 | 5 | 15 | 99.25 |
| Shawinigan Water and Power Co , s.f., series D...... .. .... .. . . .. | Jan. | 1,300 | 6 | 26 | 103.00 |
| Shawinigan Water and Power Co., s.f.... | May | 1,000 | 5½ | 30 | 100.00 |
| France: | | | | | |
| Paris, Lyons and Mediterranean R.R., discount notes. .... . . . | Aug. | 2,200 | 5½ | ½ | . |
| Germany: | | | | | |
| Berlin... . .... . .. | Nov | 3,000 | 7 | 1 | . |
| Cologne . . ...... . . .. . . | ... | 2,000 | ... | 1 | . |
| Haiti: | | | | | |
| Govt. of the Republic of Haiti, bonds, series C........ . ... ... . ..... | Feb. | 2,530 | 6 | 29 | . . |
| Italy: | | | | | |
| International Power Securities Corp., col. tr. s.f...... . .. . . ... ... . | ... | 4,000 | 6½ | 30 | 93.75 |
| Mexico: | | | | | |
| Mexican govt. ry. notes . ... . ..... | ... | 1,377 | ... | S | ... |
| Poland: | | | | | |
| Land Mtge. Bank of Warsaw, first mtge. loan.. .... . ........ . | Dec. | 5,000 | 8 | 17 | ... |
| Sweden: | | | | | |
| Swedish govt. treasury bills . ........ | Apr. | 10,000 | 5 | ½ | ... |
| Yugoslavia: | | | | | |
| Kingdom of Serbs, Croats, and Slovenes, gold notes..... . . . . . . . . . | Sept. | 3,000 | 6 | $\frac{7}{12}$ | 100.00 |

Calendar Year 1925

| | | | | | |
|---|---|---|---|---|---|
| Germany: | | | | | |
| Bremen, discount notes.......... .. .. | Jan. | 4,000 | ... | 1 | 94.98 |
| Rheinelbe Union (German steel works group), notes...... .......... .... | Apr. | 4,500 | 7 | 1 | 99.00 |
| Great Britain: | | | | | |
| Anglo-American Oil Co., notes........ | July | 8,000 | 4½ | 1 | 100.00 |
| Greece: | | | | | |
| Greek govt. ext. bonds, Athens waterworks. ..... .. .. ............... | ... | 1,250 | 8 | 27 | 85.00 |
| Haiti: | | | | | |
| Republic of Haiti........... . ....... | June | 1,743 | 6 | 28 | 96.00 |
| Poland: | | | | | |
| National Economic Bank, Warsaw, s.f.g.b. | Jan. | 9,714 | 8 | 21 | ... |

### Dollar Loans Added to Commerce List—*Continued*

Calendar Year 1926

| | | | | | |
|---|---|---|---|---|---|
| Argentina: | | | | | |
| Argentine govt. treasury bills..... .. | ... | 20,000 | 5¼ | ½ | ... |
| Belgium: | | | | | |
| Belgian treasury bonds... ... . . | ... | 1,500 | ... | | ... |
| Canada: | | | | | |
| Canadian National Ry. . . . | Apr. | 2,500 | 4½ | 1 | 99.58 |
| Manitoba.......... . . . | June | 2,651 | 4¼ | ½ | ... |
| Winnipeg ... . . . . . . | July | 2,025 | 4½ | 20 | 96.17 |
| Ottawa, bonds . ..... .... . | ... | 2,792 | 4¾ | 10 | ... |
| Colombia: | | | | | |
| Republic of Colombia. . . . | Aug. | 10,000 | 5½ | ½ | .. |
| Germany: | | | | | |
| Bavarian treasury discount bills... . | .. | 10,000 | . | ½ | |
| August Thyssen Iron and Steel Co., notes. | June | 4,000 | 6 | ½ | 99.50 |
| United Steel Works Corp., first mtge. series C . . . . | ... | 10,815 | 6½ | 25 | ... |
| Hamburg-American Line, serial notes.. | ... | 3,615 | 7 | ... | L |
| Greece: | | | | | |
| Greek govt. external bonds, Athens waterworks ... ..... ... .. .. .. | . | 1,250 | 8 | 26 | 85.00 |
| Hungary: | | | | | |
| Budapest, credit. . .... . .. ... | June | 2,000 | 6⅞ | ½ | ... |
| Budapest, loan.. ... .. .. . . . | . | 2,000 | 5 | 1 | ... |
| Peru: | | | | | |
| Govt. of Peru, promissory notes.. . . | ... | 3,682 | ... | 6 | ... |
| Republic of Peru, sanitation loan .. | June | 2,000 | 8 | 18 | 98.00 |

Calendar Year 1927

| | | | | | |
|---|---|---|---|---|---|
| Canada: | | | | | |
| Dominion of Canada....... . ... . .. | ... | 23,700 | 4 | S | ... |
| France: | | | | | |
| French National Mail Steamship Line... | ... | 2,750 | 6 | 25 | 91.50 |
| Germany: | | | | | |
| Hamburg Elevated Underground and Street Ry. notes .................. | Apr. | 4,000 | 5¾ | 1 | ... |
| Vereinigte Glanzstoff-Fabriken A.G , loan | May | 3,000 | 5½ | 3 | 98.65 |
| Free State of Prussia, treasury certificates | May | 4,000 | ... | ¼ | 98.78 |
| Westphalia United Electric Power Corp. . | ... | 3,000 | ... | S | ... |
| International: | | | | | |
| First Federal Foreign Inv. Trust, series A.............................. | ... | 2,000 | 5 | 5 | 98.75 |
| Liberia: | | | | | |
| Liberia .. . . .... ... .. | ... | 2,192 | 7 | 39 | 90.00 |

Calendar Year 1928

| | | | | | |
|---|---|---|---|---|---|
| Greece: | | | | | |
| Greek govt. external bonds, Athens waterworks....... .... . ... ....... | ... | 1,250 | 8 | 24 | 85.00 |
| Honduras: | | | | | |
| Honduras govt. external loan . .. .. | Feb. | 1,500 | 7 | 5 | ... |
| Yugoslavia: | | | | | |
| State Mtge. Bank of Yugoslavia.... ... | ... | 2,000 | 7 | S | ... |

DOLLAR LOANS ADDED TO COMMERCE LIST—*Continued*

| | | | | | |
|---|---|---|---|---|---|
| **Calendar Year 1929** | | | | | |
| Canada: | | | | | |
| Canadian National Rys. .... | May | 18,000 | 5 | 1, 15 | 94.90 |
| Vancouver Properties, Ltd. . . | . . | 1,000 | 6 | 15 | 99.00 |
| Germany: | | | | | |
| Siemens-Halske.. ... . | ... | 8,127 | 6½ | L | 94.83 |
| Peru: | | | | | |
| Peruvian govt., Port of Callao port works | . | 2,000 | | L | . |
| Philippine Islands: | | | | | |
| Philippine govt... . . . | . | 1,250 | 4½ | 30 | 105.05 |
| Philippine Islands, metro. water district . | | 1,500 | 4½ | 30 | 102.00 |
| **Calendar Year 1930** | | | | | |
| Cuba: | | | | | |
| Govt. of Cuba, public works certificates.. | .. | 40,000 | 5½ | ... | .. |
| Finland: | | | | | |
| City of Helsingfors, notes . . . | ... | 5,000 | 8 | S | .. |
| Greece: | | | | | |
| Govt. of Greece..... ........... . | June | 7,500 | 5½ | 1 | 99.80 |
| Hungary: | | | | | |
| Govt. of Hungary discount notes .. .. | Nov. | 5,000 | . | 1 | 93.50 |
| Panama: | | | | | |
| Govt. of Panama.. .. . ... | . | 1,000 | . | L | ... |
| **Calendar Year 1931** | | | | | |
| Argentina: | | | | | |
| Govt. of Argentina discount notes... | . . | 23,908 | disc. | S | ... |
| Germany: | | | | | |
| Rhine Westphalia Electric Corporation notes ....... . ... ... . .... | . . | 7,500 | 7 | S | ... |
| **Calendar Year 1932** | | | | | |
| Greece: | | | | | |
| Govt. of Greece.................. .. | May | 7,500 | 6 | 1 | ... |
| **Calendar Year 1935** | | | | | |
| Canada: | | | | | |
| City of Prince Rupert..... . ..... . | .. | 1,756 | 5 | L | ... |

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